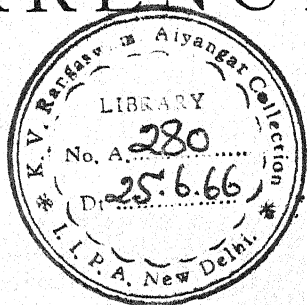


A  
COLLOQUY  
ON  
CURRENCY.



BY  
HENRY HUCKS GIBBS.

1893.

LONDON:  
EFFINGHAM WILSON, ROYAL EXCHANGE.

MANCHESTER:  
J. E. CORNISH, ST. ANN'S SQUARE.



## PREFACE.

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THE following colloquy was in great part written as an article in the "Contemporary Review" for July, 1889, and was founded on a correspondence between me and two well-known members of Parliament, who appear as taking part in it under names other than their own. With their permission I used, as far as was possible under the change from epistolary to colloquial style, their own words; only adding such further questions or answers as spring naturally from my own part in the conversation.

Mr. White, the fourth in the *dramatis personæ*, represents, as he says, the Man in the Street; and is made to ask such questions and interpose such arguments as would occur to a man of sufficient intelligence but insufficient knowledge.

Since 1889 much has happened, the condition both of British Agriculture and of British Commerce with foreign nations passing continuously from bad to worse, a downward impulse having been given them by the unfortunate operation of our monetary laws, an impulse which has been continually increased by the action of other nations in following our bad example. To them it has been much less hurtful than to us, for they have no India to govern, and their foreign trade weighs little in the balance compared with ours.

So grave were the perils which menaced Indian finance and Indian trade, and so loud were the outcries of the manufacturing districts of England, that the Government of Lord Salisbury had no hesitation in sending delegates to the Monetary Conference lately assembled at Brussels, choosing, with a view to fair and full discussion of the various monetary questions which might be presented to it, a pronounced representative of each school, Monometallist and Bimetallist, and as a third the Master of the Mint. The succeeding Government, with less liberality and less insight

into the situation, added to the number two men of strong Monometallist opinions.

Under these circumstances I thought it might be useful to give some further extension of the colloquy of 1889, bringing forward as fairly as I could the arguments and assertions of my opponents, and giving as briefly as I could the answers to the arguments, and the correction of many errors both of fact and deduction.

Since it was written the Brussels Conference has met, has sat through four weeks, and adjourned till the 30th of next May. It pleases the London press to say that its deliberations have been abortive, and can lead to nothing. For my part I will only say that its deliberations have been much what I expected and indeed (under the circumstances of last year) desired, resulting in the suggestion and shaping of various proposals alleviative or constructive, to be considered during the recess of the Conference, both by the Delegates and by their Governments, and to come on for decision at a time when our Government (who alone struck a discordant note during the discussions) will be more under the supervision of Parliament than they would be, had the formal voting taken place now. I regretted, indeed, that none of the proposals were accepted by the Committee *ad referendum*. They were for the most part, in truth, only palliatives, but that was what they were intended to be, and a means to gain time (which is of great importance), and above all things they were a recognition of the danger of the present situation, and of the great necessity of finding a remedy.

The whole existence of the Conference is itself a recognition of the danger, and a proof that the Governments of the world appreciate it, and do not despair of safeguarding commerce against it. In 1878, 12 States were represented; in 1881, 16; and in this year 20. That alone is a sufficient proof of the increasing interest that is felt in the question; and a yet more important feature is that all these nations bore testimony to the fact that there was a great and increasing difficulty to surmount.

I finish this preface with some weighty words of the late Mr. Adolph Soetbeer, a leading German Monometallist.

They are nearly the last written by him, and are well worthy of the attention of our Government: Je crains que si le Gouvernement *Anglais*, à l'occasion de la prochaine Conférence Monétaire Internationale, refuse de soumettre ou d'appuyer des propositions praticables destinées à *étendre considérablement l'emploi de l'argent comme moyen de paiements*, il en résultera probablement une nouvelle dépréciation incalculable dans la valeur du métal, et une "appréciation" très-sérieuse de l'or, suivies de conséquences désastreuses.\*

I have added an Index to my Colloquy, for the convenience of easy reference to the various points touched on therein.

HENRY H. GIBBS.

*March, 1893.*

\* I fear that if the English Government on the occasion of the forthcoming International Monetary Conference, should refuse to submit or support practicable propositions destined to extend considerably the use of silver as legal tender, there will probably result a further incalculable depreciation in the value of the metal and a very serious appreciation of gold, followed by disastrous consequences.

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# Colloquy on Currency.

*A PENTAMERON.*

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## FIRST DAY.

Ratio.

Price of precious metals.

What is a pound ?

Preference for Gold.

Gold standard more stable than silver ?

"Gresham Law." Locke. Newton.

Currency laws. Law of Dual Legal Tender.

Quantitative theory of Price. A. Smith. Jevons.

Variableness of Monometallic and Bimetallic money compared.

Production of Precious Metals.



# A COLLOQUY ON CURRENCY.

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*Scene.*—KENNAQUHAIR. *Time.*—AFTER DINNER.

*Present:* MR. WM. SMAIL, M.P.; SIR WM. HARROP, M.P.;  
MR. CHARLES WHITE; and MR. H. GILBERTSON, *the*  
*Chronicler of this Symposium.*

G. Well, Smail, I am very glad that you were all three able to come, so that we may at last have a chance of threshing out the principal points of the currency question.

S. A very important one, but one very difficult to understand.

G. I will do my best to make you understand it.

S. Thank you; you will have your work cut out for you, and the talk may be a long one. But however long, I don't expect that you'll bring me to your way of thinking.

G. Then you can bring me to yours: I have an open mind; and with such forces against me, Harrop, a past master in all that is historical, and you others, the incarnation of common-sense and knowledge of business, what is a mere student of political economy and finance to do, even though he has some smattering of history, and lays claim to a small portion of common-sense?

H. Well, my friend, history and common-sense are, I venture to say, both against your contention.

G. What *is* my contention? I should like to set you all down to a competitive examination, that I might see which of you would give the best—or the worst—account of my contention; but I shall choose rather to be examined than to examine, and I should like you to take for your starting-point Harrop's dictum that history and common-sense are against my contention. Do your best; *Tirez les premiers!* Come, I will give you a mark to fire at. Here is my thesis:

1. That the ancient law of England which prevailed from 1666 to 1816, provided free and gratuitous coinage of the precious metals into pounds sterling of a fixed weight and fineness, the gold coins bearing a definite proportion to the silver coins, and either being equally available for the discharge of debt at the option of the debtor.

2. That it was always, and is now more than ever, necessary to the well-being of the foreign trade of Great Britain, that that law should be re-enacted, and that the proportion therein prescribed should be consonant to the proportion adopted in foreign countries, thus securing a Par of Exchange between gold and silver.

3. That the legislation of 1816, in excluding silver, exposed our commerce to the evils consequent on the destruction of the Par of Exchange, from which evils we were protected till 1873 by the action of the Bimetallic law in other countries.

4. That the only remedy would be an international agreement to open the mints for the coinage of both metals at a definite proportion.

H. Well, my friend, I object *in limine* that all history and all experience show that it is impossible for the State to fix the value of any two commodities.

S. Add, that if it were possible it would be undesirable.

G. My withers are unwrung! What is that to me?

S. Surely you propose to fix the value, the relative value, of two commodities—silver and gold.

G. Certainly not. There are many loose thinkers and speakers about, in currency questions as well as in other branches of politics, but I hope you will find no such proposition as this in anything that I have spoken or written.

H. But if you fix, as you must admit that you do fix, the ratio of value between two commodities, you necessarily fix the value of each.

G. I have said nothing at all about value. If I had said that any one was bound to give an ounce of gold for  $15\frac{1}{2}$  ounces of silver, or *vice versâ* (I assume a ratio *ad interim*, but I dare say you will touch on that matter before long), I should indeed have fixed their relative value. Their positive value I could of course not fix without going through the whole range of commodities and affixing a gold or silver valuation to each. But in the bimetallic law there is no authoritative fixing, relative or positive.

When the second Lord Liverpool asked himself in 1816 Peel's question of 1844, "What is a pound?" the answer lay ready to his hand in the existing law: "123·27 grains of standard gold, or (at 15·21:1) 1858·06 grains of standard silver, at the option of the payer." They were guineas, not sovereigns, but the proportion was the same. But the Minister knowing that before the suspension of cash payments gold had become the metal most in use, and

finding reasons for it in his father's letter to the King (reasons rightly declared by Lord Ashburton to have no foundation in fact), persuaded Parliament to decree that the answer should be 123'27 grains of gold, and nothing else. He put no *value* on gold, but left that to the market. What he did do was to order that every payer might and must make his payment, in default of specific agreement to the contrary, in pounds sterling or parts of a pound sterling, and that the pound should consist of so many grains of gold.

That law did no harm at the time, both because gold had been the chief coin in use, and people were accustomed to it, and for another reason, on which I will touch presently.

Neither did our bimetallic law of 1666 (in force till the suspension of cash payments in 1797), nor the French law of 1803, fix any values. If, as I wish, such a law were re-enacted here, the payer might pay, in all new bargains in pounds sterling, either gold or silver, in the coins issued at the legally appointed ratio. But he might make what bargains he pleased. He could ask as much gold as he pleased for his silver, or as much silver as he pleased for his gold; he could pay as little of either metal for the other as he could persuade the seller (if there were such a thing as a seller) to take. I need hardly add, that he could pay as little as he chose of either or both for any commodities.

*H. and S. [together].* But the mainspring of your argument for bimetalism is that the ratio remains constant.

*G.* To be sure it does. But the law does not fix either price or value. It is common-sense and free will, in other words, "the higgling of the market," that fixes them. All experience shows that in a country under the bimetallic law there has never been a different price of commodities according as the money tendered was gold or silver. It is obvious therefore that while the Mint (assuming a ratio of  $15\frac{1}{2}$  to 1) would give every man a sovereign for his 123'27 grains of gold, and ten florins for his 1893'54 grains of silver, it is not likely that any man would give 123'27 grains of gold +  $x$  for 1893'54 grains of silver, or 1893'54 grains of silver +  $x$  for 123'27 grains of gold, for the ordinary purposes of internal trade.

*S.* He might have the gold, but might want the silver to make a spoon. The holder of silver, if it was scarce, might say "I want twenty-one shillings for my 1893'54 grains. The Mint price would not help the buyer.

*G.* In theory it would not. In practice the fact that the two parcels of gold and silver were equal at the Mint would generally govern the matter. No one has ever asserted that it always would, or that it ought to do so.

It is not the business of the State to find cheap gold for the

goldsmith, or cheap silver for the silversmith, any more than it is to find cheap lamb for the butcher. Our monetary law, with no such intention, produces the effect of a definite limit as to minimum, and an approximate limit as to maximum, on the price of gold for the arts. But the law was not made for the goldsmith's advantage, but for the welfare of the community. If an alteration of the law should be found advantageous for the community, it will have to be passed, even though in theory it might appear distasteful to individuals.

*W.* So much for the buyer of the precious metals. How about the seller?

*G.* The seller is absolutely secure. No man in his senses, if he can get 60·838d. an ounce for his silver, will sell it to a silversmith, or to anyone else for 60d., or any less sum. Are you inclined to sell me an ounce of gold, Smail, for 77s.? Why won't you? Because you can get 77s. 9d. at the Bank.

*H.* You have not fully answered my question about the constancy of the ratio.

*G.* Constancy of the ratio is one thing, and constancy of prices quite another. The former means that you may always pay your debts in money of either metal, coined in the proportion indicated; the latter relates to commodities as measured in that money.

*S.* But we all know that there has been a premium on one or other metal. Surely the ratio cannot be called constant when the relations between the two metals are thus apt to vary.

*G.* Why not? Agio, or premium, is merely the result of a bargain between debtor and creditor. It does not deny, but rather affirms the rights of the former, to pay his debts at a ratio definitely fixed and made constant by law.

*W.* What distinction can you make between Ratio and Price? Surely Price is the Ratio between the measure and the commodity measured.

*G.* Certainly. Price is a Ratio; but it does not follow that a Ratio is always Price. There may be a ratio between other things; and the ratio of which we are speaking is the arithmetical ratio established by law between the two portions of the legal tender money of the realm. When the law declares that 36 inches shall equal a yard measure, it says nothing about the price of the yard, nor about its value in commodities. So neither does it in respect of legal tender money.

*S.* Do you see what F.R.S. writes in the *Times*?\*—"Clearly a ratio cannot be fixed beforehand at which gold and silver must

exchange," and he proves it by the analogy of measures of length, which he says could not be made of metals of different contraction and expansion.

*G.* Couldn't they? He has much to learn; let him ask his clock-maker by what device a pendulum is kept at the same length, notwithstanding expansion and contraction through heat and cold. Precisely by the device which F.R.S. supposed to be impossible. However, were it not so, and did it seem impossible to establish such measures of length, yet if history showed me that for seventy years it had been done, I should be inclined to think there was something wrong in the theory. But the simple answer to F.R.S. is that no one proposes that gold and silver should exchange.

*W.* I still don't understand the difference.

*G.* I may seem to be drawing an unnecessarily fine distinction; but to my mind it is very important to show that the law fixes no relative price between the metals, but that it merely enables the debtor, saving any special agreement, to pay in either metal according as it is most easily obtainable; and that this causes an increased demand for that metal, and so tends to redress the balance of demand and supply. The demand for gold currency in England is artificial and arbitrary, and the same may be said for the demand for silver currency in India. The demand for each is unaffected by the fluctuations in the supply; but by opening the Mints to both metals, and fixing a legal ratio at which debts may be paid, the demand, which, as I have said, is always artificial, is made to fluctuate automatically with the supply; and by the natural process of supply and demand the relative value of the two metals remains practically constant; but this is a totally different thing from the relative value being fixed by law.

*S.* I doubt the relevancy of your seventy years argument. That equivalence between the two precious metals sprung from other causes.

*G.* So I have often heard. But I have never met with anyone who could even guess what the other causes were.

*S.* I dare say I shall be able to give a guess before we have finished our talk.

*H.* I want to know why, if people believe that they can always get gold for their silver, they should keep any gold at all. Why should there be any gold reserves? I suppose no one does believe it; and gold would therefore be hoarded against the evil day.

*G.* What! all the £880,000,000 gold money? Credat Judæus! and he would be the last person to do it! What! Do you really

believe that civilized peoples will bury their gold, and lose their share of about £28,000,000 a year interest, let alone profits?

*H.* Indians do.

*G.* They are not all the world ; and they are of a very different make from the Western peoples. But I don't follow your question, Harrop. Perhaps I did not clearly catch your words. So far as I could understand, it was this : If everybody believed that every one else had gold, and would give it in exchange for silver, nobody would keep any gold at all. But in this case whither would the gold go? So long as a stock of gold remains, that is a gold reserve. But you are quite right. No one would believe that they could always get gold for their silver. But no one has ever asserted it. I cannot find it ; 'tis not in the bond ! There is nothing in the law, either of 1666 or of 1803, about exchanging one metal for the other. Read the law first, and argue afterwards.

*W.* Let us come back to the current money in use. Gold had, you say, become the money in use. Did not that show a preference for gold which nothing would overcome, a greater suitability of gold for the commerce of a country such as this? Lord Liverpool followed public feeling ; and there might be untold dangers in attempting to legislate in a sense contrary to public feeling, which, by the way, must have in all these years fixed itself more strongly on gold than ever.

*G.* Public feeling was, and is, quite able to take care of itself ; and if it was proposed to force silver upon an unwilling people, they would easily learn how to protect themselves. But the course of legislation has been to deprive them of silver ; Lord Liverpool's argument being reducible to this : " People prefer gold money to silver so much that they will have it at any rate, and, therefore, we must make laws to prevent their using silver money if they desire to do so." An epigrammatic summary which I owe to Dana Horton.

*W.* Well, they showed practically that they *would* have it at any rate.

*G.* If they did, it was under a Bimetallic law that they had done it, a law which in no way impeded their desires, and under which gold had become the money in use in the eighteenth century ; and gold, if it be true that there would still remain that invincible preference for gold which is said now to exist, would remain the money in use under a bimetallic law in the nineteenth.

*H.* This may be said for Lord Liverpool and Peel. They gave us by their legislation a metallic standard, safer, both as being

single and therefore less variable, and also as being of gold, the least fluctuating of all commodities, rather than of silver.

*G.* How "least fluctuating?" Where do you learn that, and how do you prove it?

*H.* Common consent. Everybody knows it.

*G.* Very likely. But I ask how do *you* know it?

*W.* Surely no one can doubt that. The price has never varied. I know as much as that. It has been £3. 17s. 10½d. per ounce from 1816 till now. Before 1816 I believe its fluctuations were frequent; but that was, I suppose, in paper money.

*G.* £3. 17s. 10½d. Quite right. A price, observe, of a commodity fixed by Act of Parliament! How do you like that, Harrop? Ah, I must come to your aid. Don't you see, White, that that sum which you get from the Mint can only figuratively, or by analogy, be called price at all. There is, properly speaking, no purchase and sale, no higgling between buyer and seller. You might almost as well say, "The value of a whole number is clearly immutable, for the four quarters of it always equal it exactly!" or "the purchasing power of a penny is constant. It will always get you two halfpence." The ounce of gold is cut into that sum, or,—more exactly,—40lbs. troy are cut into 1869 equal portions, each a sovereign, and they weigh and are equal to the whole 40lbs. That which you get is called indeed the Mint *price* because it is, in fact, money.

*H.* I didn't mean that at all. What I intended to assert was, that the value of gold as measured in commodities was more stable than that of silver, and, of course, more stable than a composite measure.

*G.* A perfectly intelligible statement; and one that has been lately made by other great men besides yourself! But you must pardon my telling you that it is absolutely contrary to fact. Before 1873, the relative value of Silver and Gold were practically constant, and, therefore, of course, their relative value remained constant, as measured in commodities; and since 1873, according to the unanimous opinion of the Royal Commission of 1888, "It may be safely said, that there is no evidence of a rise of prices in India; and there is a general agreement among witnesses whom we have examined on the point, that the purchasing power of the rupee in that country has not fallen."\*

*H.* Silver may have remained unaltered in India, and for aught I know, in other silver-using countries; but you can't deny that it has fluctuated enormously here.

\* NOTE.—Final Report of the Gold and Silver Commission, Part I., § 52.

G. Yes, as measured in gold; and note that exactly to the same extent, *gold has fluctuated as measured in silver*.<sup>\*</sup> But as measured in commodities silver has scarcely fluctuated at all. You can buy at least as much wheat in the London market with ten ounces of silver this year as you could in 1870. I need not point out how great have been the fluctuations of gold as measured in wheat and other commodities.

H. That is curious. It amounts to this, I suppose, that silver and other commodities have fallen, *pari passu*, as measured in gold?

G. Precisely. I should add that as regards the alleged stability of gold, you have the Index numbers of the *Economist* and others, from which you may see that there has been a fall in gold prices of 30% from 1873 to 1887. The questions, how far the fall in gold prices has been due to the relative scarcity of gold, and how far to an increase of commodities, are interesting ones, but too complicated to be accurately determined. The general result shows that the causes affecting silver and other commodities have had the same effect on each, and consequently their relative value has remained the same, while commodities and gold have varied 30% in relative value. In these complicated matters we must use the inductive method of reasoning; but if you like to examine into the probable causes of fluctuations in the value of the metals, and to look at one of those causes which affects the metals themselves alone, namely, the changes in the amount of yearly production, you will find that whereas the production of both metals has fluctuated enormously, the fluctuations in the production of gold have been much greater than those of silver.

H. But we all know that in the last few years the production has been very large, and much greater than that of gold, and in this last year nearly as much as any one year's production of the other metal.

G. That is true; but one swallow does not make a summer; and one or two exceptional years do not invalidate my contention. It is, however, very curious, that when silver has fallen lower than it has ever done, precisely then the efforts of the producers have been increased, the lowness of price not at all discouraging them. Of course the two things react one on another, but one cause is said to be that the mining companies have got to pay dividends, and must make up by quantity what they lose in price.

W. There is another thing against silver, isn't there? I mean the expense and trouble of shipment when it is necessary to make large remittances to foreign parts, whether in payment of foreign claims or for exchange operations. Why, they tell me that a million

<sup>\*</sup> See Appendix Table

sterling in gold would weigh ten tons; and if we suppose a ratio of 20 to 1 adopted, there you have 200 tons at once.

G. The arithmetic is not very exact; but that may pass. A score or two of tons signifies nothing in an argument.

W. I only tell the tale as 'twas told to me. I should like, however, to know where the calculation is wrong.

G. Well, you see, 1869 sovereigns standard weight equal 40lbs. troy, or 30lbs. avoirdupois. Therefore

|  |             |
|--|-------------|
| 1,000,000 sovereigns would weigh about |             |
| 16,051lbs. avoirdupois, or .....       | 7'166 tons. |
| Packing cases 10,000 ounces troy ..... | '280        |

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7'446 tons.

Silver is sent in bars, and is not packed. It would therefore weigh, at 20 : 1, T. 148'920. But be the weight 148 or 200 tons, I think any bullion broker will tell you that the freight is the same for either metal, and that there is no difficulty whatever in sending any quantity. If there were, you may be sure those who have to remit to England would feel it as much as we should. If we found it necessary to send gold, so also would they; and under a bimetallic accord all would have the same means of protecting their gold, if they cared to do it.

Now, to return to the times of Lord Liverpool, father and son. There was then, whatever may be the case now, no sentimental feeling at the bottom of the English preference for gold. It was simply the effect of self-interest which is the mainspring of the Gresham Law.

W. But they tell me that the Gresham Law declares that the cheapest metal will remain, and the dearest be exported.

G. Does it? I need not tell Harrop that the Gresham Law, *i.e.*, Sir Thomas Gresham, says no such words. That is a nineteenth century gloss. What do you mean by "cheapest" and "dearest?"

W. I suppose that which cost least or most to produce. When is wheat cheap? When it costs little to grow at home or import from abroad. You won't dispute that.

G. Those things do cheapen wheat, no doubt; but another thing may cheapen it, on which I won't touch now. We are concerned with the precious metals. What did the £880,000,000 gold and £870,000,000 silver money cost to produce? If you can't answer that, White, tell me, at least, whether it cost more or less than the present production.

W. Frankly, I haven't the least idea. But the present produc-

tion? We know that at least. That will sell for the price to which competition brings it.

G. Will it? Put yourself in the miner's place. He could get, under a Bimetallic law, say, 5s. an ounce for his silver at the nearest mint. Do you think he or anyone else would sell it for less? Yet there are some people who think—no, who don't think at all—who tell you that the price of the silver and gold used in the Arts would not be affected by the mint law which orders that 60'29d. is to be given for the one and 77s. 10½d. for the other.

W. What does the Gresham law say?

G. You will find all that Gresham said in his letter to the Queen.\* He told her that if a shilling weighing 90 grains was circulating side by side with, and having by law the same purchasing power as, a shilling weighing 94'65 grains, the man who had to pay a debt of 94'65 grains to a foreigner, would send the latter. The cheaper—that which was of least account—*i.e.*, which would buy least—in France, would stay at home; and the dearer—that which was of most account—*i.e.*, which would buy most—in France, would go abroad. Thus, in our day also light sovereigns stay at home, and heavy ones, when export is wanted, go abroad. The cheapest drives out the dearest. One Isaac Newton,† of whom you may have heard, explained it all in his Mint report\* in September, 1717, and so did Locke in his report, as one of the Commissioners of Trade to their Excellencies the Lords Justices in Council, dated 22nd September, 1698, a most important document, disinterred by Dana Horton from the Journals of the House of Commons of the following February.

H. What you tell us doesn't explain why gold stayed in England in the 16th and 18th century and silver went away.

S. That wanted little explanation. Gold stayed because the English people had chosen to have gold for the money of the country. See what Lord Liverpool said in 1798. The law, you say, allowed the debtor to pay in whichever metal he chose. Gold was preferred, therefore the people in their bargains contracted themselves out of the law, the seller stipulating for payment in gold. That's a very simple explanation.

G. Very, if there were the least evidence of its truth or probability. Gold was *not* preferred. It was the cheapest metal, and would buy least abroad. Can you really believe that people contracted themselves out of the chance of receiving the most valuable of the two metals, that which would buy most abroad. Lord Liverpool said that they chose gold and rejected silver, but he did not say how they set about the rejection, nor did he adduce any evidence of any such deliberate choice. If I mistake not, what

\* See Appendix, p. v. † See Appendix, pp. ix. xii.

evidence there is tells in the opposite direction, and shows complaints of the absence of the more convenient silver.\* The silver went, as I have just said, because it was a more profitable kind of remittance than gold. It was "the dearest metal." The Englishman could pay a debt in France of an ounce of gold (frs. 107-1342) with about 14.70 ounces of silver, whereas he would need 15½ ounces to pay his butcher in England a debt which one ounce of gold would discharge. The divergence of the legal ratio pointed out the road, and it was, as I said, self-interest, and no *auri sacra fames* which kept back the gold.

W. This is all quite new to me, and I am not sure that I understand it. But it seems to be a complete answer.

G. You can see it all in the evidence before the Royal Commission, and can study it there at your leisure.‡

H. I was going to observe that you assume the constancy of the ratio, and you have given reasons for supposing that it might be constant for a time; but however fixed—by law, custom, or choice—there seems no evidence that it could be maintained with any certainty for an indefinite time. Indeed the historical evidence is the other way.

G. I should very much like to hear it.

H. I refer, of course, to the shifty character of the ratio between the sixteenth and eighteenth centuries, when silver fell from 10 to 1 to 15 to 1 in spite of all the efforts of the Mint authorities to maintain the old ratio.

G. Do you think nothing, then, of its maintenance unimpaired from 1803 to 1873, and its disappearance from the moment that the law was suspended?

H. Oh, yes; I admit all the advantage to your cause of the remarkable fixity of ratio between the years 1843 and 1873. But a sound induction requires that in the observation of phenomena there should be many observations and that they should all lead to the same conclusion.

G. Forgive me for interrupting you. Why do you say 1843, not 1803?

H. I limited my admission to the years 1843—73 because before 1843 there was nothing to disturb the existing ratio between the two metals, and therefore no credit could accrue to bimetallism for fixing the ratio before 1843.

G. You must be very hard put to it to use such an argument.

\* See Locke's Mint Report above referred to (Appendix, p. viii.), and Newton's Report and Memorandum, July 7th, 1702 (see p. 112).

‡ Questions, 4588—4602.

There was much to disturb the ratio, if anything could do it. Soetbeer, a great (monometallist) authority, says that from 1800 to 1840, 29 per cent of the precious metal produced was gold, and 71 per cent silver, more than double. Now, either  $15\frac{1}{2}$  to 1 exhibited the true proportion in 1803, or it did not. If it did not, how came the ratio to stand? If it did, and twice as much silver was poured in as gold, how came the ratio to remain still fixed in France and the price of silver to remain steady in England?

*W.* How do you account for it?

*G.* We assert that once fixed, and existing under the conditions before mentioned, it is wholly undisturbed by any fluctuations in production or increase of the proportionate stock of either.

*W.* That is a hard saying.

*G.* Why, just think of it! Between 1850 and 1873 the stock of gold money was nearly doubled, the annual production being nearly £23,000,000, while that of silver was about £10,000,000, yet if any payee in France must needs have gold rather than silver for export, he had to pay (on an average) no more than  $1\frac{3}{4}$  centimes in the Napoleon, if so much, for the accommodation; and he would not have had to pay that, but that silver was undervalued in the United States in comparison with its rate in France; and I think an induction of seventy years makes it quite certain that the absolute proportion of the two metals would be quite powerless to weaken the force of a bimetallic law such as exists in that country. Now, Harrop, go on.

*H.* I repeat that the proof of the law depends on the fact that it is consistent with *all* the phenomena, and is the only theory which explains them all. One ascertained fact inconsistent with the law of gravitation would overthrow the theory. Now, your theory does not explain the fact, but is inconsistent with the fact of the fall from 1-10 to 1-15, notwithstanding the existence of bimetallism.

*G.* I like your gravitation parallel! But if Newton had tied his apple in a bag and fastened it to the tree, it would not have fallen: yet would not his theory have failed. Now we had tied our apple in a bag.

*H.* How so?

*G.* No exceptions such as you assume ever existed. Your syllogism is perfect in form, but your minor premiss is naught. True and unfettered bimetallism did not exist in the days of which you speak. It was hampered by ignorance. I assert that there is not a shadow of proof that at any time or anywhere before the latter half of the seventeenth century was there an open Mint for unlimited coinage of gold and silver at a fixed ratio with *vis*

*liberatrix* for either coin ; nor that, if there had been, the ratio could have fallen, as you say, from 1-10 to 1-15.

No such conditions existed in the days of King Henry III., when the comparative value is said to have been as about  $9\frac{1}{2}$  to 1 ; nor in the time of King Edward III., when it appeared at first to be  $12\frac{1}{2}$  to 1, and afterwards  $11\frac{1}{2}$  to 1 ; valuations which people would not readily accept—not that they had any means of judging of the real value, but because they resented any substitute for their accustomed silver.

Nor did such conditions exist in their full extent in 1666. The law of the Dual Legal Tender passed in that year was the most liberal and statesmanlike monetary law that was ever passed before or since. It fell short of the French law of 1803 in one particular, but it was superior to it in that it asserted the principle of free and unlimited coinage for the public at a definite ratio, the money so coined being legal tender in payment of debt.

I think you must admit that your 16th—18th century assertion is unsustained and unsustainable.

*H.* In any case you would find it hard, if you took these centuries into account, to maintain the sufficiency of your 70 years induction.

*G.* Not at all. It is a perfect induction ; relating to the only period in which a Government understood and practised the true principle. The 16th and half the 17th centuries have been shown to be necessarily excluded from the comparison ; and the period from 1666 to 1800 is also inadmissible, as differing from the 70 years in one important condition.

*W.* Namely ?

*G.* In the arbitrary changes in the English ratio during that time.

*W.* What induced them to make those changes ?

*G.* Harrop has told you that they changed the ratio in order to maintain it unchanged ! What did happen was that they saw silver leaving the country ; they knew—for Locke and Newton had told them—that it had something to do with the ratio ; and they did endeavour—

*H.* And, as I said, endeavoured in vain—to maintain it.

*G.* You did say so, and spoke of the “efforts of the Mint authorities to maintain the old ratio.” Where do you read of such efforts ? I have read a good deal on the subject, and I know of none. I know that they did not make the only effort which would have been effective to maintain it ; and that they did make many efforts by varying the legal ratio to suit it to the market ratio, in ignorance of the now known fact that the market ratio will suit itself to the

legal one. Thus they tried *not* to maintain the old ratio, but to find a new one which should be capable of keeping now the gold, now the silver in the country, according as one or the other metal, being undervalued, was apt to leave it—such undervaluation arising either from debasement of the coins of the other metal, or from change of ratio in a neighbouring State. To the difficulty caused by these opposing ratios the several States added also coercive and prohibitory laws which effectually rendered impossible the open market for the precious metals which has existed in modern times, and without which, as Mill says, no comparison between the value of commodities can be made.

*W.* In what particular did our law of 1666 fall behind the French law?

*G.* The Government still had, and freely used, the right of varying the ratio when either the debasement and clipping of one or the other coin, or the acts of foreign governments, seemed to render it necessary. The same was the case in France; but it was not till 1785, that the true principles of monetary law began to be recognized there, nor till 1803 that they were formulated into law. Even then the Mintage was not free, and though it was until 1873 practically open to all comers, it was not, as it had been here, by statute.

*W.* Do you consider Napoleon's law of 1803 the perfection of monetary law?

*G.* In itself, yes. It made the ratio constant. But it lacked one thing. Locke, in his time, and Newton, in his, had endeavoured to secure an approximation of ratio between the English and Continental ratios. It would have been easy for France to have fixed her ratio at the same point as that chosen by England, if jealousy of her neighbour would have permitted it; and certainly to have arranged an accord on the subject with the friendly nation on the other side of the Atlantic. This she neglected to do; and she, therefore, did not succeed in preventing the outflow of whichever of the two metals was at one time or another undervalued by the French law in comparison with its value, according to the legal ratios established by law in other Bimetallic countries.

*W.* What do you mean by your reference to Locke?

*G.* Locke understood the principle, and so did Newton; and they endeavoured, not with complete success, to make their countrymen understand it. They saw that the only way to assure the presence of both metals in the country was to make the ratio identical with that in use in the neighbouring States; and Locke's proposal to make the guinea 21s. 6d. was an attempt to assimilate our ratio as nearly as possible to that of France.

*W.* Was it enough for his purpose to assimilate it to the French ratio?

*G.* Nor absolutely enough; as the example of France and the United States shows. But it minimized the probability of the outflow of silver, which was what then troubled them. Nothing short of identity of ratio between all Bimetallic States would make a repetition of what happened between France and the United States between 1834 and 1847 impossible.

*W.* I am glad to know that the proposed law is not only a French importation. I don't desire to take our laws from France.

*G.* Why not? Why should we scorn to adopt from France an improvement in our law in the direction of accuracy? The French have been generally more accurate scientifically than we; their codes are in many points better. Their system of weights and measures is far superior to ours; and men of science in England would do well to examine their monetary legislation, and adopt the improvements contained in it if they find them good.

*H.* Ah, well; Lord Liverpool is good enough for me! You had better read again, if you have forgotten it, what he says about the comparative values of silver and gold.

*G.* No, *I* have not forgotten. Lord Liverpool wrote in 1798, and died in 1808. The events of 1873 could not open *his* eyes; and *he* may be pardoned for not having learned the lesson they taught.

*W.* Let us turn again to the Gresham Law. I now quite understand that cheapness and dearness, as referring to cost of production, can have nothing to do with the international movements of the precious metals. When gold left this country and silver remained behind, it was because silver was valued by our laws higher in respect of gold than it was by foreign laws. That's it, isn't it?

*G.* Yes, the theory is right, but no such case has actually occurred in modern times in England, though the converse did. Gold would naturally leave France between 1834 and 1847, if for no other cause, because the 16:1 ratio in the United States was more favourable to gold. Gold was the dearer metal there; and silver at the same time left the United States because the 15½:1 ratio in France was more favourable to silver. Silver was the dearer metal there.

*W.* Then I have that clearly in my mind; but still, under the Bimetallic law are we not likely to be left with the least valuable metal as our money?

*G.* I have heard that when some one remarked on the difficulty

of the study of bimetallism, a great statesman answered:—"It is the simplest thing in the world. It is only a law to enable a man to borrow a dear metal and pay a cheap one."

To which I answer, How is the value, the relative cheapness or dearness, ascertained? and how do you come by the cheap metal when you have ascertained its cheapness? If it were to be had, and gain could be made by getting it, would not the demand speedily raise its price?

*W.* Will not the market price demonstrate the cheapness? and could one not buy?

*G.* Certainly not. Except the cheapness of a debased or clipped coinage (which is what gave the most obvious example of the action of the "Gresham Law") cheapness of one or other metal under a bimetallic law is a delusion. In a bimetallic country there cannot be a market-price of either metal; and a monometallic country reaps the benefit provided by its bimetallic neighbour in steadiness of the price of that precious metal which is not its legal tender money.

Thus England, though legally monometallic from 1816 onwards, was practically bimetallic till 1873. She had been living under the bimetallic law without knowing it, just as the world had been living under the law of gravitation without knowing it, before the fall of Newton's apple, and, indeed, before that other Fall caused by Eve's apple. Lord Liverpool's (or Peel's) Act of 1816 hurt nobody in that generation, because the seed then sowed was kept from sprouting and bearing its evil fruit, by the effects of the law of 1803, which established a change-house between the metals. The mischief that the Act of 1816 did was that it put it in the power of foreign States to alter the conditions of the English standard; and this power they used in 1873.

*H.* You say England was practically bimetallic even after 1816. Was not France practically monometallic (silver) from 1803 to 1851?

*G.* Certainly not. Giffen says so; but he ought to know, and you too, that currency, the money chiefly in use, is one thing, and the legal standard another. Whatever might have been the money in current use in France in those years matters not at all, provided that the Mint was open for the coinage of both metals equally at a fixed ratio with *vis liberatrix*.

*H.* How could that help you if there was no gold to be got?

*W.* Let me interpose a question. I fear I ask too many, but I know little—not like our distinguished friends here, who know much. I represent the "man in the street." What did you mean when you said just now, in answer to me, something about the

relative quantities of gold and silver? I don't see how that affects the question.

*G.* Why should it not? (I will answer your question presently,\* Harrop. It may take longer to answer than White's.) Now, White; abundance cheapens commodities, does it not? Gold is a commodity, was abundant, and therefore ought to have been cheapened.

*W.* Yes, but our popular guides—the only guides I know—those who write in magazines and newspapers, say you are wrong there. I am sure I have read an article or a letter (it was by Giffen, I think) saying that Adam Smith had long ago exposed the blunder that there is any connection between the relative quantities of the two precious metals and their price.

*G.* Did he? Whose blunder was that?

*H.* Why, yours. The one you made just now, when you said that the great production of silver at one time, and of gold at another, should have disturbed the ratio, but did not, because of the French law.

*G.* Should they not have disturbed the ratio? (It is better, by-the-by, to speak plain English, and say "relative price," as Giffen does.) If there is an abundant crop of wheat, and a short crop of barley, does not that alter their relative price?

*W.* Yes, but it is of the precious metals of which Adam Smith speaks; at least, so Giffen says. I never read a word of him.

*G.* It is a pity that he does not give us the reference. I have read Adam Smith, and I don't find that he exposes, or claims to expose, anybody's blunder on this score. But so far as his authority goes, he fights, I think, wholly on my side. Why, don't you see that it is precisely my contention, that though gold and silver are commodities, and though they should, like other commodities, cheapen when they are abundant, as well in each other as in all other commodities, and grow dear when they are scarce, yet under a Bimetallic law, where the State gives a fixed Mint price for each, in coins that are legal tender, there is set up an infinite and perpetual demand, which keeps their relative price immovable. Now, remember that when Adam Smith wrote, that was the law of this land; and of course, therefore, for him, and in his view, quantity made no difference in the relative price of gold and silver.

*S.* With all respect to Adam Smith, that must be a strange law that can override the natural law which you have enunciated, that abundance cheapens.

\* See p. 43.

G. Neither Smith nor anyone else has ever supposed that it could do so. Abundance of the precious metals used, as they were in his time, equally as money, cannot affect the prices of either in the other; but in the only way in which money can be measured, viz., in the mass of commodities which they measure, Abundance will cheapen them, and Scarcity make them dear.

W. I see here a pretty dilemma. It is admitted on both sides that that variation in the quantities of gold and silver makes no difference in their relative values measured in each other. Gilbertson says the cause of that is Bimetallism, that is to say, the establishment of a Mint price, &c. Giffen says, if I rightly understand him, that Bimetallism can have nothing to do with it.

If it has anything to do with it, the "blunder" vanishes, and Gilbertson's contention is right that arbitrary monetary law can and will modify ordinary law, so far as the money metals are concerned.

If it has not and cannot have anything to do with it, then the supposed dictum of Adam Smith must apply to silver as well as to gold, to the silver of 1891, as well as to the gold of 1851, and the dreaded influence of the "floods of silver" disappears.

G. Excellently reasoned, White.

S. You said "perpetual demand." Where is the evidence of such demand? The people have, or can have, all the silver coin they want, and I don't see that under Bimetallism or any other law there would be any increase in the demand.

G. Certainly not. You mistake my meaning. It is not a demand on the part of the public for coins, but on the part of the State for silver and gold to be coined. The State says "Here is the Mint. Its doors are open. Bring all the silver or gold you will, it can never have enough."

W. But there must be *some* demand for coinage, or the Mint would never coin.

G. No doubt there is: but no man having a bar of either metal to sell, sells it because he has a desire to touch more gold or silver coins, but because he wishes to convert his dead and stagnant capital into a living and active form. He wants a balance at his bankers whereby he can possess himself of such coins as he does want.

S. I incline to think our discussion is somewhat academical. I may admit with the Royal Commission that a ratio could be maintained; but I feel very sceptical both as to the supposed grievance, as to the efficacy of the remedy, and as to the wisdom of using it if it is efficacious.

G. Ah! I suspect that you have in your mind W. H. Smith's

speech in the debate in 1889. It was a very fair speech, though he was wrong, I think, in his apprehensions (in both senses of the word). I am not without hopes that the further consideration which he, in that speech, and Lord Salisbury, in his answer to the Deputation at the Foreign Office, most wisely urged may convince those who agree with him that they have in part misapprehended us, and that, like the wicked, they are afraid where no fear is. We'll consider his points if we have time. But, meanwhile, what are *your* difficulties?

*W.* Let me interpose with mine, which go to the root of the matter. On one point you haven't answered Harrop. At first sight I should say, as he does, that one metal is a safer basis than two. How can a double standard be less variable than a single one? How can a ratio between two uncertain movements be more stable than either movement by itself? A man who is standing up in a boat will hardly feel steadier if he tries to stand in two boats at once.

*G.* I prefer the Duke of Wellington's dictum on this subject to yours. "A man is more steady when standing on two legs than on one," whether in or out of a boat. You should read Jevons on Money. He, a monometallist, shows clearly that the variations in quantity are much less important when the standard is bimetallic. He shows it in the abstract, and one of the answers to the Royal Commission on Gold and Silver showed it in the concrete. There is the Blue-book on that table, White. If you will give it me I will read you the passage. It is at Question No. 3,662.

Assume that at some ratio the gold and silver money of the world is equal, and that prices are affected by increase or decrease of money measure,

Then, the world being Monometallic,

Let £10,000,000 gold and £10,000,000 silver stand for the whole stock of A the gold-, and B the silver-using nations respectively.

1. If £1,000,000 gold is produced in any year, usable as money, the measure increases and prices tend to rise,  
in A ... .. 10%
2. If £1,000,000 silver is produced in any year, usable as money, the measure increases, and prices tend to rise, in B ... .. 10%
3. If £1,000,000 of each metal is produced in any year, usable as money, the measure increases, and prices tend to rise in A and B... .. 10%

4. If the production of money-metal falls off in any year to the extent of £1,000,000 of gold, and a like sum in silver, prices fall in each case ... .. 10%
5. If in any year £1,000,000 more gold and £1,000,000 less silver is produced, prices would tend to rise in the one and to fall in the other ... .. 10%

Again, the world being Bimetallic,

Let £20,000,000, half gold and half silver, stand for the joint stock of A and B :—

1. The production being assumed, of £1,000,000 of gold (as above), silver remaining constant, the measure, and therefore, prices will tend to increase ... .. 5%
2. And the like production of silver, gold being constant, would have exactly the same effect, viz., a rise in the measure of ... .. 5%
3. The simultaneous production of £1,000,000 of each metal would produce a rise of measure and prices of... 10%
4. The opposite effect of a tendency to a fall of prices to the extent of 5% in two cases and 10% in one, would be caused by the production being in defect instead of in excess.
5. But in the case of increase of one money metal and deficiency of the other to a like amount, no disturbance whatever is caused to the Bimetallic communities.

Thus, in two cases out of three, where any disturbance of prices takes place from this cause in a Bimetallic country, it is half the amount of the disturbance which the same cause would produce in a Monometallic country; and in the third case the disturbance is the same in both the Bimetallic and Monometallic communities. But a fourth case occurs (5) in which the disturbance in the Monometallic communities is in two cases 10%; and in the Bimetallic communities in those two cases nothing at all.

*H.* I observe that you conveniently assume that the production of gold is as likely to be abundant as that of silver. The experience of the last few years seems to lead us to a different conclusion.

*G.* You would be very rash if you should draw any conclusion one way or another from the production of a few years. The whole thing is quite beyond conjecture; otherwise one might venture a prophecy about Africa. You will remember, White, that I told you how great had been the excess of gold production

in the last 40 years, and I may as well now give the figures. From 1850 to 1878

|        |     |     |     |     |     |                    |
|--------|-----|-----|-----|-----|-----|--------------------|
| Gold   | ... | ... | ... | ... | ... | £630,205,000       |
| Silver | ... | ... | ... | ... | ... | <u>307,190,000</u> |

Excess of gold over silver ... £323,015,000

From 1879 to 1891 inclusive

|        |     |     |                    |
|--------|-----|-----|--------------------|
| Silver | ... | ... | £330,731,830       |
| Gold   | ... | ... | <u>264,756,885</u> |

Excess of silver over gold ... £65,974,945

Excess of gold ... .. £257,040,055

The apparent surplus of silver in the years after 1873 would of course be extinguished if the calculation were made at the price of the day, instead of, as here, at 15½ to 1.

*S.* It's getting late, isn't it? Could we have another turn at the subject?

*G.* Let us say Friday, if that will suit you all.

*S., H., & W.* Agreed.

## SECOND DAY.

Floods of Gold and Silver.

Bimetallism raises prices.

Montague, Huskisson, Locke, Newton, Macaulay.

Dual legal tender. Silver Standard with Gold rated to it.

Par of Exchange. Price of Precious Metals.

Agio.

Variableness or Stability of Gold Standard.

Appreciation of Gold.

Increase of its Use as Money.

Advantage of Gold Standard to England.

*H.* We were talking on Wednesday of the comparative production of Silver and Gold. Did I understand you to say that the variations in the production of gold have been year by year much greater than those of silver?

*G.* Much greater, and much more frequent. I have here a printed paper, which you can look at at your leisure, showing the changes of each year since 1849.\*

*W.* Is there any estimate of the existing stocks of gold and silver money? They must be, I suppose, enormously large; and I don't see how the yearly contributions from the mines can materially affect them.

*G.* All such estimates must lack accuracy, and be in great measure guess-work. Seyd's estimate of the stocks existing in 1872, has been generally accepted. It was Gold, £750,000,000 and Silver £650,000,000. Add from the production since 1872, one third Gold, £130,000,000, and one half Silver, £220,000,000, and we should get totals: Gold, £880,000,000, and Silver £870,000,000. But you must observe that the account of silver is taken at 15½ to 1, which since 1873 would be too high in quantity, and that since that date we cannot allow one half of it to have been used as money.

*W.* I must be right then as to the little effect of any year's production.

*G.* Certainly you are. Even the greatest year's production, £36,000,000, could only add about £15,000,000, or less than 2%, to the stock of gold money; but the question before us being whether gold or silver is the least fluctuating commodity,

\* See Appendix, Table C.

the yearly production is necessarily germane to that. The only important thing is to compare the fluctuation of the total stock of gold money with that of the total stock of silver money, as measured in the mass of commodities.

*H.* I will look at your figures.

*W.* I have been looking at them ; and I must say that as far as I can see, the great production of silver in the last few years would be quite enough to account for a very considerable fall in price.

*G.* Of course it would. It could not be otherwise, so long as no fixed ratio existed. Silver since 1873 has been affected by supply and demand, just like any other commodity ; except that neither it nor other minerals are so speedily affected by the accidents of profit and loss, as some other commodities are.

*W.* It is said that the increased production of late years is due to the increased demand caused by the United States laws of 1878 and 1890. Is that so ?

*G.* It is not easy to say. Good fortune and cheap transit have much to do with it. But whereas it is commonly thought that high prices stimulate production, and low prices discourage it, the experience of the last few years shows production increasing as the price falls. In 1859, when the price was at its highest—62¾d.—the production was, you see, £8,150,000. In 1891, with the price as low as 43d., the production was nearly £39,000,000. Even under the still lower prices of 1892, the production has, it is believed, scarcely fallen off at all

*H.* Ought you not to say, rather, "the price falling as production increases" ?

*G.* No doubt it would so fall, and has done so ; but that does not account for the perseverance of producers on a rapidly falling market ; nor for the slackness of producers on a high and rising market. Remember always that the precious metals cannot be produced as wheat can, in correspondence with the demand. You get them when you can, not when you will.

*W.* Under the demand, then, produced by the monetary laws of the States the miners have produced what they could ; and the result has been what we see.

*G.* Yet the limited demand of 54,000,000 ounces a year cannot surely have had the same effect as the unlimited and perpetual demand of which I spoke just now, when the Mints of India, Germany, the Latin Union, and the United States took every ounce that could be produced !

*W.* What becomes of all that vast production ?

*G.* What became of the vast production of gold in the fifties? It became in great part money, and so does this.

*H.* It is heaped up in the United States Treasury, and can't be got into circulation.

*G.* Nor can the £25,000,000 of gold in the vaults of the Bank of England. Every ounce, both of the gold here and of the silver in the States, is, however, in circulation in the form of Bank notes here, and of Treasury notes there.

*W.* Some of the production would no doubt come into our Mint to be coined if the law allowed it.

*H.* All of it! Certainly a considerable part of the American stock, and probably a large proportion of the useless silver coins of other countries.

*G.* If they did, we should send it back when exchange turned against us; you forget that they could not demand gold. But how do you know the coins are useless? I should like better to know what Americans and Germans and Frenchmen have to say on that point, than to content myself with an English opinion. Perhaps you don't know that the American currency of every sort amounted at the end of 1891 to only \$23.41 a head of the population; while we, in England, who need less, as being closer packed, have just about the same. They could not send much of it away without a dangerous contraction of their currency.

*H.* But we are told that the currency is redundant, and that gold is leaving the country.

*G.* Redundant is a mouth-filling word which currency-doctors are very fond of using. It has its proper signification, but its sound is often greater than its sense. The exchange is, or has lately been, against the United States, and in that case gold, which is the money of Europe, naturally leaves America. When the exchange turns, gold will go back.

*H.* Or silver.

*G.* The stock of silver has the same purchasing power as gold in France and Germany, and even in England; and is therefore by no means useless, as you call it. They will not send it to America to sell there at 83 cents an ounce.

*W.* Your table of the production of the precious metals, and the great quantities of silver produce which it shows, reminds me of what I see in almost every writing on the monometallist side, "We shall be flooded with silver, and all gold will go out of circulation." Will it be hoarded, or what will become of it?

*G.* The first question we have already discussed. It will be time enough to open it again when some evidence is produced

that from 1820 to 1847, when silver abounded, and the actual proportion between the metals differed widely from the legal ratio, gold, or any important quantity of it was hoarded in France; and that in the Fifties and Sixties, when there was a real flood of gold, the French took to hoarding silver. The second question I have never been able to answer, or get answered. I have put it over and over again—whither will the gold go?

*W.* I gather from what has been already said that there are two or three preliminary questions? 1. How do we know that there will be a flood of silver rather than of gold? 2. How do we know that there will be a flood of either metal? 3. Are we sure that it will be of any harmful consequence in either case? 4. Are we sure that gold will be expelled? and then the old question, What will become of it, if it is?

*H.* White, I fear you are going over to the enemy!

*W.* Oh, I am in neither camp! My mind is not nearly enough made up for me to take a side. My previous notions are with you and Smail; but I judge by your answers that you find Gilbertson's arguments and answers very hard nuts to crack. I only wanted to put my questions in a categorical shape, so as the more easily to get definite answers to them.

*G.* I have good hopes of White! As to his first and second questions; I have already said that we know nothing about it, and cannot know. It is in a great degree guess-work. It was prophesied in 1875 that we should have a flood of silver from the Comstock Mine, because a large quantity had been produced; but not only did nothing of the kind happen, but the silver mine at last produced as much gold as silver. As to the third question. It would be a very serious matter for India, and for the foreign trade of this country, if, under our present monetary laws, such a flood of silver were to come. Under a Bimetallic law the only effect would be that, of whatever colour the flood may be, yellow or white, prices would rise evenly and gradually in countries accepting the law.

*W.* Suppose it to be gold. People prophesy a flood of gold from Africa.

*G.* I think it is more likely that they are right than wrong. If it should come to pass, you see what would happen under a law of dual legal tender. Under Monometallism, the effect on English prices would be obviously much greater than a flood of silver would be. Harrop would think it much worse, for he is a lover of cheapness, however caused, and he would see a great rise of prices. Silver is the money of two-thirds of mankind, and gold of one-third. There is much more room to receive the flood of silver than the flood of gold.

W. I didn't think much of my three first questions, and I am satisfied with your answers to them. I am more interested in the answers to the fourth and fifth.

G. By what process is the gold to be expelled? Our teachers cannot be induced to come to particulars. What inducement will there be for any one to send gold away from a country where by the hypothesis, supported by the experience of 70 years, gold and silver (at the fixed ratio) have equal purchasing power, not only in its own market, but in the markets of its neighbours. You monometallists, Harrop, always say gold is so much more convenient than silver, and so it is for pocket money, and for all small payment of 10s. or £1 and upwards. Is it on *that* account that it would be sent away? Did anybody ever do it?

H. Certainly. You have admitted yourself that it went out of circulation in France, and gave us the reason, and the *modus operandi*.

G. No, not that it went out of circulation. What I said was that the current of gold would naturally set from France across the Atlantic, and that from that and other causes, gold became scarce in France. The course of silver also lay towards France, and from the United States at the same time, and for the like reason. But that is a very different thing from going out of circulation altogether. Neither gold nor silver vanished into space, but each metal shifted its sphere of monetary activity from one country to another. Don't forget that the question before us is one of an internationally fixed ratio, when all inducement to such inflow and outflow would be lost. By the bye, I think Harrop, that I have heard you say that the inflow and outflow of specie is one of the chief causes of the commercial prosperity of this country! I understand that it is proposed to establish an international clearing house. You would oppose it, of course, as it would greatly diminish outflow and inflow, which things are a cause of commissions to some friends of mine, and those commissions would, no doubt, be sadly missed; but there would be plenty of compensation.

H. Perhaps there would. But suppose the Bimetallic agreement not universal; gold would leave the Bimetallic countries for a Monometallic country.

G. And silver, too, where it was suitable. What is it which will cause either metal to go anywhere? Let us illustrate the thing by two very different examples, India and Germany. Let us suppose the first to remain Monometallic on a silver basis, and the second Monometallic on a gold basis. It is the balance of Trade which is the main cause of export of the precious metals: therefore, there might be a considerable pull on the stock of silver

in the Bimetallic countries, for the exchange is as yet always in favour of India. Should it turn against that country the Indian traders would be quite as likely to remit gold as silver. Then as to Germany; the balance of trade is not persistently in favour of that country. If it should be so at any time gold would go to her; and when it turned, it is quite as likely that she also would send back gold as silver. She has already found out how great would be the inconvenience of parting with too many of her thalers. I think we may leave the recalcitrant countries to take care of themselves. We may even suppose that none would be recalcitrant. If England only assents, we have ample evidence that none will care to be left out in the cold.

*W.* At the worst, you think no great quantities could go; and then would only change their abode for a time.

*G.* Gold could not leave all countries at the same time.

*H.* But as I understand the objector, that is precisely what he thinks will happen. It will, he thinks, as money, leave all countries, and be used for other purposes. That is, I suppose, the point of White's fifth question.

*G.* Used for other purposes. Then, so also would silver be used, in case of a flood of gold. That sounds a little more practical and practicable than hoarding! Can you suggest some of the purposes?

*H.* Not I. I take the assurances of the learned. They tell me it will be rejected as currency. Why, I don't know, as you won't allow its dearness to serve as a reason; and will be used as—I don't know—in the Arts, I suppose.

*G.* You are quite right to be shy of the plea of dearness. It would fit so ill with your present contention. What, just at the moment when, according to the promoters of that plea, it should be at its dearest, they say that it is to be more abundantly used, and in unproductive employment! In what branch of the Arts—I wonder—shall every man carry a gold toothpick? Shall all "silver" watches have gold cases? Will you make pokers and tongs and coal-scuttles of gold? You will find them inconveniently heavy in weight as well as cost. The supposition seems to me, saving better instruction, supremely ridiculous and wholly superfluous.

*W.* Why superfluous?

*G.* Before we settle what to do with the gold when it is ejected from the circulation, it would be well to show some reasonable probability of its being ejected at all.

*W.* I read in the papers the other day that it was absolutely

certain that when the currency became redundant the gold would leave the country.

G. The writer must have been a person who had read Mill, and applied what he says of one state of things to another, which is wholly different. Mill tells us how, in such a case, the metallic circulation would wholly or partially leave the country in which the currency had become redundant, and would be distributed over the world. Distribution is quite a different thing from disuse as money.

Only consider the circumstances which you have to suppose! A deluge of silver; a rise of prices—let us say of 100%—all payments increased in the same ratio, and all payments in which cash passes doubled in bulk. Thus you pay now £1 for a hat; and you would then have to pay £2. Would you take that opportunity for getting rid of the two sovereigns with which you could pay for it, and insist on carrying 10 double florins to your hatter? It is a theory for which I can find no argument, and a practice of which I can find no example.

H. You have overwhelmed us if not convinced us. I should like to think that out. Let us go to another matter.

You mentioned just now the debate of 1889: what did you think of Chaplin's speech?

G. Excellent; a most lucid and careful statement. You all heard it, I think, and I dare say will agree so far. Now, Smail, about your difficulties?

S. No. It is rather ancient history, but I should like to hear a little more about that debate. I am anxious to know what you have to say about W. H. Smith's arguments.

G. I quite agree with him that anything which would shake the confidence of the commercial classes would inflict a serious injury on the national prosperity. But he fails, I think, to show that to establish a bimetallic law would even tend to shake their confidence. Why should it? Besides that no such contract to pay in gold, as he supposes, ever existed at all (unless possibly, and by implication, in the case of State loans contracted since 1816), I have shown that the silver received would necessarily buy as much as—i.e., would be equal to—the gold.

S. What distinction can you draw between loans contracted before 1816 and those after?

G. The previous loans were contracted either under a bimetallic system in full force, or in paper to be repaid in either metal. To which country does he fear that our trade would be transferred? And why? and how? Surely he can't think that our prosperity depends on the colour of our metallic money. There are other

characteristic causes enough to guarantee it, and these so experienced men as yourselves can't fail to see without my mentioning them.

S. Certainly there are. I admit that.

G. Now then, as to the contradiction which W. H. Smith imagined between Chaplin and Samuel Smith? Do *you* see it? It requires better eyes than mine. Chaplin said the Indian Government were losing four or five millions a year. It is now, I think, six or seven. Samuel Smith said, and says still, that the Bombay spinners are interfering with our manufacturers, and if we add to this that the Indian shippers are enabled by the fall in the gold price of the rupee to accept the present low gold price for their wheat and still to undersell the English wheat-growers, the result is that the Indian spinners gain, and the Indian landowners are saved from loss; but the Indian Government—that is, the whole people of India—lose six or seven millions a year. I see no contradiction.

H. Not the whole people, for the people are not taxed any the more.

G. They can't be; but so long as the Budget kept at an equilibrium, Government could, but for this loss, have remitted taxation to that amount, or rapidly extended the railway system, or done important sanitary work. Either some interests are gaining by the present state of things, or they are not. If not, India is confessedly losing ground all along the line. Now, Smail, it's your turn.

S. Well. My point is that, as I said just now, I feel sceptical as to the existence of your grievance. Let us know what it is.

H. I'll tell you what his grievance is. It's the fall of prices; and H. Chaplin has made it manifest to all the world that the *object* of bimetallism, like that of the Sugar Convention, is to raise prices and make things dearer. Now the people who want things cheaper are always more numerous, and now more powerful, than those who want things dearer. When the men find that Chaplin's object is to keep Indian wheat out of the English market, they will condemn his scheme.

It is an injury alike to the English bread-eater and the Indian cultivator. In a sense, it is also an injury to the English manufacturer, because it is in English manufactures that the wheat will be paid for ultimately. Though the *rate of profit* may be lessened by the exchange, yet the *volume* of trade must be larger; and that is the question, rather than the *profit on capital*, which affects the wage-earning class.

It is not true that the cheapness of commodities has materially

lowered the scale of wages. The wage-fund has not decreased; and the increased purchasing power of wages is far greater than any diminution in the rate, and they know it. The pinch has been on the capitalist, who has been obliged to accept a far less rate of profit, though not so much less as to induce him to close his business. When we come to close quarters with this question—if it ever becomes a practical one—it will be made apparent that the greater purchasing power of money is at least as great an advantage to the wage-earning class as to those who live on fixed incomes. Take sugar, for instance; the rate of a penny a pound would be equivalent to 30s. a year in each family of five persons. This is equivalent to an income-tax of sixpence in the pound on a man earning £1 per week, and yet you avowedly exempt such a man from income-tax!

This, and more than this, H. Chaplin, in the name of bi-metallism, desires to do with corn. It is very well worthy of notice, that whenever there has been severe agricultural depression (even in the days of the highest protection) the landowners have always resorted to schemes of tampering with the currency in order to raise prices and to lighten the burthen of mortgages. I feel strongly upon this point, and have been driven to make quite a long speech about it.

G. I can't say that I see any likeness between such an agitation as you describe and the present. When do you mean?

H. Why, look at the currency agitation in 1821. Whenever trade is bad and prices low, there is always a cry for a depreciated currency, accompanied by demands for private and often public repudiation, the landed interest being generally foremost in these demands.

G. In the present case, the landed interest were by no means the first to come into the field. It was, I think, the trade of England with the East that first cried out. The whole history of that agitation in the Twenties should, as I read it, be differently told. The distress of that time was, no doubt, consequent on the unhappy tampering with the standard of value which occurred in 1816-9, when the beneficent policy of restoring our metallic currency, which in any case would have inevitably contracted the measure of value, was rendered more stringent by the exclusion of silver, and those who suffered lamented loudly, and asked for unwise and pernicious remedies, which the good sense of the nation rejected. That tampering with the standard bore yet more bitter fruit in 1873; and we cry not for any fanciful or untried remedy, but for the restoration of the ancient monetary law, under which our commerce became great.

*H.* I venture to hold by the example of Montague, who protested against, and remedied, the depreciated money of his day; and of Huskisson, whose humble follower I claim to be, and who set himself against the wild schemes proposed by Lowndes at the beginning of the century, and exposed the false reasoning by which they were supported.

*G.* I am glad to hear that you commend Montague and Huskisson. Montague did wisely as you say. Do you remember what Macaulay says about him and his colleagues? Here it is, quoted in Horton's book, "The Silver Pound":—

"It is much to be lamented," he says, "that we have not a minute history of the conferences of the men to whom England owed the restoration of her currency and the long series of prosperous years which dates from that restoration. It would be interesting to see how the pure gold of scientific truth found by the two philosophers" [Locke and Newton] "was mingled by the two statesmen with just that quantity of alloy which was necessary for the working. It would be curious to study the many plans which were propounded, discussed, and rejected, some as too costly, some as too hazardous, till at length a plan was devised of which the wisdom was proved by the best evidence, complete success."

Both Montague and Huskisson, each in his time, opposed what is called "soft money," and I admire them and agree with them as much as you do; perhaps more. I wonder if either of you know what was that "gold of scientific truth," that "completely successful" law which Macaulay so praises. It was the law of 1666, the law of the open Mint, settled ratio, and dual legal tender, as perfected by Locke and after him by Newton. What have you to say to that?

*H.* I must admit that that report of Locke's is new to me; and though I had of course read the passage you quote from Macaulay, I had scarcely realized the strong bearing it had upon the controversy. What do you say about Huskisson?

*G.* You shall have it presently.

*W.* Before you come to that, let me ask about Locke. You said just now that he understood the principle, and his name appears in your quotation from Macaulay. You were speaking of the international effect of fixing the ratio. You did not, I suppose, mean to say that he approved of what is now called Bimetallism.

*G.* Obviously he could not have approved of "what is now called Bimetallism," because, though the thing is the same, its conditions have altered since his day. Our Bimetallism is

essentially international, while that of Locke's time was necessarily domestic. I do not think that Locke understood that the ratio could be permanently maintained by an international agreement ; but he endeavoured to give it greater permanence by assimilating our ratio to that of other nations, and his aim in so doing was to retain both metals in the country as full legal tender.

*W.* But we are always told that he was the great asserter of the principle of Monometallism. He is the champion whom the upholders of that theory always put in the forefront of the battle.

*S.* I believe he said most emphatically that "it was impossible that more than one metal should be the true measure of commerce."

*G.* He did say so ; and it was quite reasonable that he should. Before his time, and indeed during his life, the ratio was being constantly altered, and Locke knew of no other condition of things ; but to think, as some do, that Locke was in the modern sense of the word a Monometallist, and that he meant that it was impossible for the State to fix a ratio between the two precious metals, at which each should be legal tender, is to suppose him ignorant both of the monetary law and monetary practice of the times in which he was living, *quorum pars magna fuit*, and to ignore his own reports and writings on the subject.

*H.* You don't mean to tell us that the acceptance of that emphatic statement of his is reconcilable with a desire to introduce into this country the French law of 1803, which embodies the principle of the Double Standard !

*G.* Under what monetary law was Locke living when he enunciated the maxim which Smail quoted ? Was it not under the law of 1666, which, as I have shown, was in all essentials the same as that enacted in France in 1803. He said, you will observe, that more than one standard was *impossible*. He said nothing about its being good or bad. Now he could not have said that that which was in force to his own knowledge, which was the daily rule of all market transactions of his day, was impossible.

*W.* I suppose he would have said that what was, as you say, in force, was not not a double standard at all, but in reality a single one. I don't see how else to account for the apparent contradiction.

*G.* You rightly call it apparent. Locke would no doubt have answered that there was no contradiction at all. The axiom which you quoted, Smail, was the assertion of the theory that whatever the coins current at any time, men will always think their monetary thoughts in, and refer their bargains to, the one money-measure to which, under the law of their country, they have been accustomed.

*H.* Ah, I prefer Locke's plain words to your gloss on them !

*G.* You shall have Locke's plain words. Here is the book. They form part of his "Report from the Council of Trade and Plantations," dated 1698, the same document in which the words quoted by Smail occur. It begins :—

"We are humbly of opinion that it is necessary, Guineas in their common currency be brought down to 21s. 6d. at least ; And further humbly conceive that Your Excellencies may fitly do it by giving directions, that the officers of the Receipt of his Majesty's Exchequer, and all others the Receivers of his Majesty's Revenue, do not take them at a higher rate." The Report is concerned entirely with the fixing of the rate at which gold coins were to be current in relation to silver the standard money of the realm ; and he goes on—"The fixing of its value so that it cannot be readily accommodated to the course it has in other neighbouring countries, will be always prejudicial to the Country which does it. The Value of Gold here at the price of 21s. 6d. a Guinea, in proportion to the Rate of Silver in our Coin, will be very near as fifteen and one-half to one."\*

*W.* I don't quite understand it.

*G.* Where is the difficulty? France was under the Bimetallic law in 1826, yet Huskisson wrote, contrasting her and the other nations with England, "Silver, it is well known, is the basis and standard of the metallic circulation of all other civilised countries."† In like manner, though England was bimetallic in 1698, Silver was the standard, but gold was by custom and by law everywhere current as money. It was necessary that it should be, and, in fact, it was, rated to silver in a certain proportion. Why should not I accept that? It is good Bimetallism, that is to say, The law of the Dual Legal Tender. Under it there is no need to call both Gold and Silver Standards. One is the Standard, and the other is rated to it. There is no reason why our present Chancellor of the Exchequer should not renounce Locke's axiom, declare that Gold was unalterably the Monetary Standard of the British Empire, and that the silver coins, other than the tokens, were to be rated to the gold coins in the proportion of 15½ or 18, or any other weight to 1 ; and be as much of a monometallist as Locke was, and as sound a Bimetallist as Huskisson showed himself in 1826.

*S.* Locke was an official, and had to carry out the provisions of the law as he found it. That seems to me quite compatible with his entire disapproval of the law, and with a desire to minimize its evils.

\*NOTE.—See the Extract in full in the Appendix.

†See Appendix, p. xv.

G. Certainly it would be. But there is no ground whatever for supposing that he saw any evils in it to minimize, and no ground for saying that he felt or expressed any disapproval of the law itself. What he did do was to perfect its operation as far as he could, suggesting developments which Montague, whose policy Harrop so justly admires, as Chancellor of the Exchequer, carried out. Where is the proof that he disapproved of the free and gratuitous coinage of the two precious metals? Dana Horton, who has examined his writings with scrupulous care, and to whose book I am indebted for the quotation from Locke's report, has found in them no suggestion of repealing or omitting to re-enact the statute of 1666.

W. How did he perfect the operation of the Law of 1666?

G. The Ratio at that time, as established by the King in the Mint Indentures of 1663, was 14.485 to 1. Locke brought it, as you see, to 15½ to 1, assimilating it, as I said before, to the French Ratio.

W. 1663, you say; I don't recollect what change was made in 1666.

G. That year gave us an open Mint and gratuitous coinage.

S. I have been looking at your book; and I see that Locke says distinctly, and in that very report, that, silver being money, "Gold, as well as other metals, is to be looked upon as a commodity, which, varying in its price as other commodities do, its value will be always changeable." Now, according to this, you propose to fix its price; and yet you said at the outset of our talk that you did not fix the price of a commodity. What do you say to that?

G. Settle that with Locke! The fixing, so far as it was a fixing is his, not mine. I propose to rate silver to gold. Locke *did* rate gold to silver. Gold, it is true, was, and is, a commodity; but it was, and is, also money by the law of the land; and the rating of a commodity which is money to another commodity which is also money, is a wholly different thing from fixing by law the price of wheat.

W. No doubt it is. But now about your grievance and its remedy?

G. Harrop told you before our discussion about Locke and Montague what *he* thinks is our grievance, and what he supposes us to expect our remedy to do; and now I will have my say. I will come to the wage-earners afterwards, and now touch only the grievance and the remedy. It is not, as he and the *Economist* seem to suppose, a grievance to us that creditors are enjoying what Nature has given them—that prices have fallen because the energy of man has produced commodities more cheaply, and brought them to our doors more rapidly. No one is so foolish as to complain of that.

It was not Nature which took away the silver half of the standard in 1816. Nor was it Nature which took away the link which still subsisted in France till 1873, and which had enabled the measure of 1816 to remain harmless. Nor was it, as the monometallists seem to think, Nature that made our golden sovereign.

The grievance is that, whereas silver is the money of nearly two-thirds of the human race, and gold the money of the rest, the short-sighted legislation of 1816-19 and 1873 has destroyed the common measure which ought to, and could, and did, exist between the two metals, causing a vast additional quantity of gold to be taken into use as money. The same legislation has provoked and produced the demonetization of silver, and has thrown upon the stock of gold money work which had in great measure been done by the demonetized silver, thus appreciating the former metal, and continuing and causing an artificial fall of gold prices, of which we have not seen the end. What legislation has done legislation can properly undo.

*W.* Why do you always say 1816-19? The law must date from one year or the other.

*G.* No, from both. The effect of the coinage law of 1816 was found to be so disastrous that it was suspended in 1817-18, and re-established in 1819, when cash payments were resumed.

*H.* You keep harping on 1873. How has 1873 done you harm? 1873 was certainly not the beginning of the agricultural depression; for we know from the Inland Revenue Returns that rents were still at their highest in 1880.

*G.* No one has ever said that agricultural depression began in 1873. The action of the German Government in 1872, and of the French Government in 1873-6, were in great part the *cause* of the subsequent depression, but they were not the depression itself. Nor was the action of France completed till 1876. As to rents, you must surely know that whatever happens it takes some years to alter them either for rise or fall. Leases don't alter themselves, and there is always hope that a fall in prices, the cause of which is not apparent to the bucolic mind, nor obviously and instantly to any mind, will be remedied "next year."

*H.* I don't quite understand how 1873 affected the par of exchange, nor what evil came of it?

*G.* It has hurt us all; me as a merchant directly and perceptibly, you, as more dependent than you know on the commerce of England, indirectly but, unfortunately, less perceptibly.

*H.* But come to particulars. Let us know what our troubles are; and how they came about.

*G.* The chief trouble, to my mind, is that of exchange; for

whereas the French law established a minimum price of silver in this and other gold-using countries, the suspension of that law left silver to fluctuate like any other commodity, and thus abolished that approximate par of exchange which had subsisted for a hundred years, and is so necessary to the well-being of commerce. Those who trade with countries having the same standard, whether gold or silver or both, have that benefit. Gold-using and silver-using countries trading together have it not.

*W.* I think Giffen says the closure of the French Mint became inevitable by reason of the fall of the price of silver.

*G.* The first act of that closure was on the 6th September, 1873, and it was not till August 12th that there had been any fall below the point indicated by the exchange of a remittance of silver to Paris, producing by law 200 francs per kilogramme. What there was (0·214d. in the ounce) caused by expectation of action on the part of the French Mint was not nearly so great as what had often happened in earlier years without causing a thought of such action. The further falls in the price followed immediately on the acts of closure in July, 1874, and June, 1875, when the deliveries of coined silver were successively postponed, until August, 1876, when the Mint was finally closed to the white metal. You may see in a pamphlet published this year (1892) by the Bimetallic League on "The Fall of the Gold Price of Silver," a demonstration that the main cause of the Closure was the excessive and entirely new strain on the resources of the Mint caused by the inflow of demonetised Silver from Germany.

*H.* What is the advantage of a par of exchange? I don't see it. France and England have, I suppose, an absolute par, seeing that they have the same money metal; yet the exchange between the two countries fluctuates day by day and, for aught I know, hour by hour.

*G.* Yes; but it fluctuates in ordinary times between closely defined limits, oscillating, with slight variations, round an immovable centre. Between England, on the one hand, and India, and other silver-using countries, on the other, there is no fixed point at all, and the exchange varies from 14d. to 24d. for the rupee, and varies, too, under the action of other nations over whom we have no control, and upon whom we can exercise no effective influence. For the rest, I can't pretend to teach you the principles of commerce, or any particular branch of them with which you may chance to be unfamiliar, in the space of a couple of hours' talk. *Cuique sua arte credendum.* Take it from me that English commerce suffers.

*H.* Suffers, if you will have it so; but you have not shown that the French law gave you the minimum, or any, price of silver, or,

consequently, that its suspension destroyed it. Giffen says that it could not possibly give it, and, therefore, could not possibly take it away.

G. In this case I think Giffen has led himself into error. He would appear to have invented a bimetallism of his own, and thus he can show without difficulty that his premises being admitted his conclusions would follow. This pseudo-bimetallism is one where gold and silver are always in constant and equal circulation in a country at the same time, and where one can always exchange gold and silver one for the other as a right. No doubt he would not recognise this as his definition of bimetallism, and he does not need to be told that it does not exist, but its existence is a necessary condition to the success of his argument, and many people assume from his argument that it must exist. His reasoning seems to be this: The foundation of the bimetallist argument is the constancy of the price of silver, due, they say, to the fact that one could always get nearly the same amount of gold for one's silver by sending the silver to France. But this was impossible unless there was gold in France to get. Now, from 1803 to 1847, gold was scarcely to be got in France, and, therefore, the law in question could have had no influence on the price of silver in England.

H. That seems all right. I don't see what your answer can be.

G. I owe you an answer on this point, interrupted the other day by White,\* who has brought upon himself a longer dissertation than I expected. What has the existence or non-existence of gold in France to do with the matter? If the net proceeds of the silver sent into France had to be sent back in gold, there would be some ground for the contention that the presence of gold in France was a *sine quâ non* to the carrying out of the operation; and it might then be necessary that in order to make it readily attainable it should either abound in the circulation, or that the Mint should be compelled to exchange gold for silver or silver for gold on demand.

W. But is not this latter the case?

G. You have only to look at the law to see that there was no such provision; and you may add that no one ever desired the enactment of such an impossible law. The only provision contained in the law of 1803 was that a kilogramme of silver should be cut into 200 francs, and a kilogramme of gold into 155 pieces of 20 francs each, both metals so coined being equally legal tender.

Both might conceivably be in circulation together in equal quantities, or one in quantity to any extent greater than the other.

\* See p. 23.

That would have nothing whatever to do with our getting gold for our silver.

Those who think it has, must imagine that the holder of a Bill on Paris has not only to send it thither but to cause some one to run up and down the streets of that city till some gold can be found to send back.

The drawer of a bill on Paris, whether in payment of silver or any other commodity sent thither, sells his bill on 'Change, and gets his gold, if he wants it, from the person who buys the bill, or from the Bank. That's the whole story. No gold can be needed in Paris for such a transaction.

*W.* How much gold would he get for his draft against a kilogramme of silver?

*G.* That depends upon the exchange of the day. How far the absence of gold in Paris might affect the exchange, and how the effect would be counteracted, you may see, if you care to look, in the pamphlet above quoted, pp. 18 and 27.

*W.* One more question. My kilogramme of silver is cut, you say, into 200 francs. I get, then, silver for silver. If the metal is depreciated, I remain where I was, in possession of a depreciated commodity.

*G.* You don't touch the silver coin; nor, indeed, does your French correspondent. It would be no matter to him, or you, if he did, for there neither was, nor is, in Paris any difference in the purchasing power of the gold and silver franc. The *Bon de Monnaie* (Mint voucher) goes, as a matter of fact, into the hands of his banker, who credits him in account, and he in turn credits you, just as he would if you had sent him yarns to sell instead of silver. The only difference is that the yarns would be sold when there was a demand for them, and at the price of the day, which might be good or bad; but the silver is sold on arrival, and at a fixed price.

*W.* Then your conclusion is, that even had there been no gold, or little gold in France, from 1803 to 1837, she would have still been in law and in fact a Bimetallie country?

*G.* Yes; just as England was in the beginning of last century, and the United States 40 years ago, when in both countries the want of silver was so much felt.

*W.* There must be surely some evidence of France being a "silver country" during the years Harrop mentions; else it would not be so confidently asserted. What took the gold away? Was it divergence of the ratio? What was the ratio elsewhere, in the United States, for example?

G. Fifteen to one from 1803 to 1834, 16'002 to 1 from 1834 to 1837, and from 1837 onwards, 15'998 to 1.

W. Then it was more favourable to silver than to gold ever since 1834; and gold, if I may judge by your answer to Smal about England, ought to have gone to France. If England became a gold country in the 18th century, because of a divergent ratio, why didn't the same cause produce the same effect in France?

G. I don't know that it did not. You must remember that the production of the precious metals in the States was at that time nil; and the total coinage of gold in their mint was only about £17,000,000 in all that time, so there was very little to send.

W. But what there was should have gone to France.

G. No; should have been attracted by France. The operation of the divergent ratio in England extended over nearly 100 years, and made itself felt at last in the banishment of silver. It is the balance of trade which is the cause of export and import. The ratio only directs which of the two metals shall be acted on.

W. If then France was really, as Giffen says, a silver country, was it because gold was not imported from the United States, or was it so, notwithstanding the imports?

G. Who can say? It is probable that imports from the United States did take place; but the Balance of Trade might have drawn them all from France to England or elsewhere. From 1849 and onward the current of silver should have set from the States to France; but it was, again, so strong towards India that France may have kept none of it.

W. What then is the evidence as to the existence or non-existence of gold in France?

G. There is no evidence of its non-existence. France was always, and still is, a "silver-country." Silver is, as Huskisson said in 1826, the basis of their monetary system. They think and trade in francs of five grammes standard silver. The franc was not looked upon as an aliquot part of a napoleon, as the shilling is of the sovereign, but the napoleon, the *pièce de 20 francs*, was looked upon as a multiple of the franc. Silver was and is their monetary standard, as Locke understood the term; and was always, in practice, more convenient for their daily transactions. It is but natural, therefore, that they should usually have held more silver than gold; but of gold there was always no inconsiderable sum, if not in the Bank of France then elsewhere in the country; nor do I know that any Frenchman ever made great complaint of the absence of that particular multiple of his national money. From 1803 to 1820 there is no indication

that gold was especially scarce. In January, 1820, the Bank held no less than £10,000,000 sterling, a very large sum for those times; and from 1811 to 1816 it had held very little of either metal. From 1821 to 1847 there is evidence enough, were the point of any significance, of the lowness of the stock of gold, without having recourse to the testimony of the agio. The attempt to prove absence of either metal by the help of the agio seems to me futile.

*H.* How can one test the scarcity or abundance of a money metal, if not by the agio?

*G.* Partly by contemporary evidence, and partly by the amount of it coined in the country at the time. I can also show you the amounts of each metal held by the Bank of France in each year.\*

Here is the Table. So far as relates to the coinage it is taken from the Tables in the *Procès verbaux* of the Paris Conference of 1878.\* In 1803-1820, when, as we have been told, France was practically a silver country, the gold coined was 722,063,200 francs; the silver coined was 1,018,088,100 francs; the proportionate production being, in that period, silver 75·8 per cent, gold 24·2 per cent, the value of the silver production being thus three times the gold. In 1821-1834, when silver abounded and gold was really scarce, the gold coined was 148,839,300 francs; the silver coined was 1,747,342,620 francs; the production during the period being, silver 66·2 per cent., gold 43·8 per cent., the value of the silver being half as much again as the gold. In 1835-1847 the gold coined was 90,018,440 francs, silver coined was 941,355,655 francs; the production of both metals being about equal. The Table of gold and silver in the Bank of France comes from the Bank itself.

*H.* The Agio must denote a demand for gold; and demand would create scarceness.

*G.* Yes; if the demand lasted long enough, and nothing came in to help to supply it. You will see by the annexed table and chart\* that in the years 1803—1820, precisely when we are told that the premium reached 3 per cent, the amount of gold coined was the largest. See also what Huskisson said of the agio in 1826, in which year there was little coined. "The agio on their gold coin . . . never exceeds  $\frac{1}{4}$  per cent, it is frequently  $\frac{1}{8}$ , and sometimes there is no agio at all; in short, not more than may be accounted for from its superior convenience for carriage in travelling, and the like purposes. . . . France has by far the greatest quantity of metallic money of any country in Europe. It has been estimated as high as seventy millions sterling. The bulk and basis is silver, but there is a considerable portion of gold.

\* See Appendix, Tables F, H, and I.

They both retain their places in circulation without interfering with each other."

*W.* That's an interesting passage, and very germane to our subject in many points.

*H.* Where do you find it? Where did Huskisson say that?

*G.* In a certain State paper, about which I shall have more to say before we've done.

*W.* Your chart shows the variations of the agio.

*G.* Yes; as far as it goes. I remember also, myself, when I was travelling through France in 1841 I paid some very insignificant agio to the Paris banker for giving me gold instead of five-franc pieces.

*W.* How does Giffen connect the scarcity of the gold with the agio?

*G.* I don't remember that he argues it out. He assumes that the agio, or premium, on gold in any country is a measure of the scarcity of the metal there.

*W.* I suppose it is a fair argument that if gold is dear it must be scarce, and that if there is a premium on it it must be dear.

*G.* Not necessarily. The agio proves nothing more than a demand for export. There may be a demand this week and none next; a demand for England to-day and a consequent premium on gold; a demand for Germany to-morrow (or even on the same day) and a consequent premium on silver. For example, the agio 4th February, 1831, was 6 per mille; 4th March 12·50 per mille; 4th April 11 per mille; 2nd May 4 per mille. In January, 1828, the Bank held only 500,000 frs. in gold. The agio was 1·73 per mille. In July it held none at all, and the agio was still only 3·50. In October, 1830, September, 1832, August, 1833, and January, 1834, it held none; and the agio was 4 per mille, 20·5 per mille, 15 per mille, and 9 per mille respectively. On the other hand, the highest point which the Bank reached from 1811 to 1850 was 52 million in 1820. The agio in December of that year, when it had fallen to 22,000,000 was 3·50 per mille. The second highest point was 41 millions in January, 1841. In November it was reduced to 28 million, and the agio was 3·50 per mille. Thus it seems to me misleading to quote the agio for particular days. The only test, so far as it is a test, is to calculate the average agio. This on Giffen's Table, of the first post-days in each month, would be 8·76 per mille, or ·876 per cent; a little over  $\frac{4}{5}$ ths of 1 per cent, that is to say, 1 $\frac{3}{4}$  centimes in the napoleon. His table for 1826 shows an average of ·815 per cent, which may be compared with Huskisson's statement that in that year it was  $\frac{1}{4}$ ,  $\frac{1}{8}$  per cent, or nothing.

The agio on gold in bar would usually, but not always, exceed that on coin to the extent of 6·70 per mille, which is the Mint charge for coining gold, and whether on gold or silver it was probable that there would be an agio on bar, because no one was bound to deliver uncoined metal.

*W.* Agio on silver? That, I suppose, could only have been after the gold discoveries, and when there was that great demand for India of which you told us.

*G.* In later times the agio was not unfrequently on both gold and silver at the same time. Thus, in December, 1871, the agio on gold in bar was 15 per mille in coin, 16 per mille highest, 8½ lowest, on silver 36 per mille.

*W.* I apprehend that Giffen's argument was, that France being a silver country, and not Bimetallic at all, whatever effect might have been at that time produced on silver, it could not have been caused by the Bimetallism of France. And this you have to my mind successfully combated by showing that whether France was a silver country or not, the provisions of French law always enabled you to get gold in London for your silver sent to Paris.

*G.* I think I have; and I have never seen any attempt to disprove it.

*W.* I don't think Giffen attempts it; but he yet insists that the alleged Bimetallism of France must have been inoperative, because the premium on gold existed more or less during the whole period, and, being an addition to the value of gold, made the market price of the metal continuously different from that of silver, and therefore different from that prescribed by law.

*G.* I repeat that there was no price prescribed by law. There was not, and could not be, any price of either metal under Bimetallic law.

*H.* But surely if a man wanted gold from his banker and was entitled to silver, he had to buy gold with his silver. That was a price.

*G.* He was not entitled either to silver or gold. He was entitled to a certain number of francs of account; the debtor, *i.e.*, his banker, having, as before said, the choice of the material in which he was to pay them to him. The premium is the price not of the gold but of the choice.

In what respect do you think he supposes Bimetallism to have been inoperative?

*W.* I suppose in that gold and silver were not maintained at an equality.

*G.* The simple answer is, that it was never intended to produce equality, and no one that I know of has ever asserted that it did.

*W.* What did it do then?

*G.* What I said before. It gave you legal tender gold and silver coins of the realm, in exchange for your bullion. That is all it promised, and that it always performed. Thus, the necessary effect of it was: 1. As to France, that the equality of the two metals was extraordinarily close, considering the very great changes in the relative amounts of the stock, even if one takes into account the accidental and occasional premiums for export, which are no guide to the market power of purchase of either. 2. As to England, that it was impossible that the market price of the commodity silver could ever go below the London value of the French Mint price; and the same as to Germany with respect to gold. 3. As to the whole commercial world, it established an approximate par of exchange between the two metals.

*W.* Let me return for a moment to the question of the Standard. We all agree, I am sure, that the characteristics of the measure of value should be fixity, steadiness, continuity, and portability.

*G.* Portability? No. That is an attribute of a good currency, not of a standard of value. As to the other qualities we agree. Also that nothing in nature possesses those characteristics absolutely. No standard of value, itself a variable commodity, can approach to the exactness of a measure of length represented by a bronze bar at a definite rate of barometrical expansion. I don't see why you return to that point, unless you wish to argue in favour of silver, as having the best claim. There would be much to be said in favour of silver—with gold rated to it—and Locke has said it; but I see no advantage in adopting it rather than gold—our favourite metal—with silver rated to it.

*W.* I have no such ambition, and, no such preference; but my reason for returning to the charge is that we have heard lately from Mr. Gladstone that gold is the least variable of metals, and thus most fit to be a standard of value; and he adduces the fact that during the long period of the gold discoveries gold only fell 3 per cent as a proof of the invariability of gold.

*G.* Reckoned in what? In silver, I presume. Well then, it follows that silver only rose 3 per cent as measured in gold. Silver, he tells us, has now varied 30 or 40 per cent as measured in gold.—Very well then, gold has varied 30 or 40 per cent, as measured in silver. So it has also in other commodities—you may call it appreciated or not, as you like—while silver has remained almost without change, as measured in other commodities, whether here or in India.

W. That seems to be the right way to take it.

G. Really I have made a full answer to all this before,\* and I only advert to it again out of respect to the authority whom you have quoted, and in answer to his positive statements. It is *only* in the commodities measured by it that you can estimate the variable-ness of the measure of value; in silver, amongst others, if gold is the measure††; in gold, amongst others, if silver is the measure; in other commodities, excluding gold and silver, if those two metals are in any sense jointly the measure. In a Bimetallic country there is no price for either metal, though a small premium may sometimes be paid for the choice of one or other, and, not unfrequently, of both at the same time.

As to what he says about the supply of the precious metals, I have given the true figures before; † and as to his strange adoption of Attwood's follies and Giffen's wild statements I shall advert to these also before we have done.‡

S. You spoke just now about appreciation of gold. I confess that I see no connection between the so-called appreciation of gold and fall of prices.

G. Connection? No! You are right there. They are *alternative phrases for the very same thing*. If you doubt it, you may as well say that you admit that 3 and 2 make 5, but that the question whether 2 and 3 make 5 demands further consideration. Whether we say that we buy eight bushels of wheat for 32s. instead of 40s., or that we buy two sovereigns for ten bushels instead of for eight, the transaction is the same; there is no difference at all. In the former view we look on wheat as cheap; in the latter on gold as dear.

S. The question then would be, what has caused it?

G. Yes. The effect may be produced by either or both of two causes—either by an increase in the production of commodities and by cheapness of transport, or a decrease in the demand for them, or both; or else by a decrease in the production of gold, or an increase in the demand for gold, or both. The increase in the production of commodities has been happening since 1850, without apparent decrease in demand; the decrease in the production of gold, while an enormous increase in the demand for use as money has been happening ever since that date, occurred in 1873, and has continued at about the same point ever since the beginning of the period with which we are concerned; and therefore if gold is not dear (*i.e.*, appreciated) it would afford a singular exception to the law which governs price.

W. Was that what you meant when you answered me half

\* pp 13—14. † p. 27. ‡ See pp. 94, 106—9.

†† See Appendix, Table J.

an hour ago,\* that another thing might cheapen wheat besides a lessened cost of production?

G. Certainly. If the use of gold increases while the production decreases gold becomes dear, and wheat and all commodities measured by gold are *ipso facto* cheapened. If Nature has in other ways cheapened the production of any of them, the dearness of the measure makes them cheaper still. If Nature has made them by other means dearer, the dearness of the measure cheapens them, or decreases the dearness; but no one in the long run is the better for the cheapness produced by such a cause. We rejoice at the cheapness that arises from abundance of commodities, but we deprecate the factitious cheapness that arises from increased demand for the metallic measure of value.

W. Thank you. I see.

H. You, and Goschen also, I remember, assume the appreciation of gold. What proof is there of it?

G. Depreciation of commodities *is* appreciation of the metallic measure, as I just now showed; but what you mean to ask is, I think, what reason we have for believing that that appreciation is owing in any degree to a change in the proportion of the supply of the metal to the demand for it as money.

H. Precisely so.

G. There, you put the saddle on the right horse. We contend that the mass of gold money in the world has much diminished as compared with the use of it which is now made in the world as the measure of commodities. If we are wrong in that, so much of our contention as relates to a fall in prices, consequent on a scarcity of the measure, falls to the ground; but our need for a par of exchange remains as pressing as ever. What do *you* say about the proportion between production and use?

H. The production of gold has been very large; and I see no reason to believe that the increased demand for its use as money has been nearly as great. Why, the amount added to the money of the world since 1870 can't fall short of £250,000,000.

G. I think it can. You do not say how you arrive at your figures, but certainly you start from a wrong date.

The production of gold since January 1, 1873 (which is the very earliest year we can take), to Dec. 31, 1891, according to the report of the United States Master of the Mint (in which Soetbeer substantially agrees) has been £407,000,000, of which we may count fully two-thirds as supplying wear and tear of the world's stock of gold, and so much of the annual production as is used in the Arts;

\* See p. 15.

so that, you see, the addition to the world's stock of gold money is at most £130,000,000, which is less by nearly one-half than your estimate.

S. Is not that a very large allowance for the Arts?

G. I must take the estimates of experts. Much of the gold so used is irrecoverable; whereas, silver, save what is used in plating and what is destroyed by abrasion, is melted and used again. Have you any idea how much dentists use? An American dentist, calculating the number of dentists who use gold, and the average quantity used by each, and allowing nothing for the continent of Europe, where little is used, estimated it at £300,000 a year!† Remember, too, that the use in India is very large. When we speak of hoarding in the East we mean in great measure anklets and bracelets.

H. Admitting your £200,000,000 of gold money produced from the mines; do you mean to say that the additional demand for gold as money has been more than that? Goschen, I think, estimated it at just that sum.

G. It cannot be precisely ascertained, because the German amount is uncertain; but I take the figures from published sources. Here they are:

|                      |              |
|----------------------|--------------|
| Germany .....        | £115,000,000 |
| Italy .....          | 20,000,000   |
| Russia .....         | 70,000,000   |
| Holland, &c. ....    | 4,000,000    |
| United States .....  | 120,000,000* |
| Scandinavia .....    | 10,000,000   |
| Austria .....        | 6,000,000    |
| Bank of France ..... | 19,000,000   |

In all £364,000,000

So that on that showing there is a sum of £234,000,000 taken into use as money, and not supplied by the production.

H. France and Germany! Is it not absurd—is it not indeed a great cause of the appreciation (if appreciation there is) that instead of wisely keeping, as we do, a small stock of gold, and letting it flow freely in and out in a moving stream, the Banks of France and Germany allow a large mass of it to lie motionless in a stagnant pond, where it is of no use to them or to any one else?

G. How is it stagnant? Don't you know that all that gold—some £67,000,000—as well as about £52,000,000 of silver—

\*NOTE.—In the Treasury \$166,000,000 coin  
78,000,000 bar } November 1, 1892.  
Elsewhere in the country 411,000,000

† See Note at end of Colloquy.

£119,000,000 in all—is circulating through France in the shape of notes, the total of which was upwards of £125,000,000 at the end of January, 1892, just as the gold in the Bank of England, though “locked up,” is circulating here in the form of Bank of England Notes. How, in that case, can what you call the “locking up” of that gold affect the quantity of the measure of value, or cause its appreciation?

*H.* Can you say that it is just like our gold? The Bank of England issues on securities as well as bullion.

*G.* Yes. Thus it probably adds so much to the measure of value; but France, in respect that her issues on securities are not, I think, under statutory provision as those of the Bank of England are, takes nothing away from the measure of value. The Bank of France, you see, issues £6,000,000 beyond its gold and silver.

*S.* Should you approve of our issues being made only on bullion?

*G.* I remember a very good Governor of the Bank maintaining that that was the only safe and proper basis of issue. I don't agree with him.

*H.* But the inflow and outflow? The stagnation consists in the practical prohibition by the German and French Banks of the export of gold.\*

*G.* Why does anybody send gold out of England? For one of two reasons. Either a sum of money is owed to a foreign State or person who calls it in; or else the balance of trade is against this country and gold is sent abroad as an exchange operation, and this redresses the balance. Your “practical prohibition” is no prohibition at all; for the moment the exchanges turn against France or Germany and in favour of England, gold is shipped hither, as it has been in no insignificant quantities since January, 1892.†

*H.* Always on payment of an agio.

*G.* The French shipper ships it to England because it is to his advantage to do so. The French banker, who has the choice of metals, seizes part of that advantage for himself, charging something

\* NOTE.—The German Delegate to the conference categorically denies this allegation, saying that the Reichsbank has never on any occasion refused to pay its notes in gold.—*December, 1892.*

As regards France, at present it is not gold but notes which the Bank of France declines to give out.—*January, 1893.*

|  |              |                                     |                         |
|--|--------------|-------------------------------------|-------------------------|
| +Imports from France in 1892,                    | £1,002,668;  | from Germany,                       | £181,311.               |
| Exports to France                                | „            | £3,818,759;                         | to Germany, £6,401,484. |
| These Exports included large sums due to Russia. |              |                                     |                         |
| Total English Imports of Gold,                   | £21,470,832. |                                     |                         |
| „ „ Exports                                      | „            | £14,832,122.— <i>January, 1893.</i> |                         |

See Appendix, Tables D. and E.

per mille as agio. France gets the benefit both ways, apparently. The exchange, however, is altered to the extent of the agio, and the remitter gets so much the less to his credit; so the French banker is the only one who gains, and that at the expense of his own countryman. In no case has the outflow and inflow anything to do with increase or diminution of the measure of value, which is obviously not affected by the transference of the metal to and fro.

*H.* Do you contend that it is no advantage to England to have constant movement of the precious metals?

*G.* It is rather an index of advantage than itself a gain, except to the trafficker in bullion. For him it is the material with which he works, the corn which he grinds in his mill. That which makes it possible is the foreign commerce of this country, and of that commerce it is one of the tools. Gold, where gold is money, is *stored goods*. It serves as payment for goods bought, or as a means of obtaining goods which we wish to buy. Its transit for either of these purposes is a profit to the nation, but this mere machinery of transit, through speculative exchange operations, useful as it is, belongs to much more confined class of trade.

*W.* You spoke of a foreign State or person being owed money here. Does not his having deposited it here indicate his preference for a banker (as England may in such a case be called) from whom he can always get gold?

*G.* It indicates his preference for a banker in whose commercial honour and in whose commercial resources he has the most confidence; in whom he finds those characteristics to which I referred just now in answer to Smail. Your remark would be just if England had not been a banking centre, the centre of deposit during all the time when no foreigner cared whether he got gold or silver, the one serving his purpose as well as the other, as Sir Robert Peel said. No one then cared to accumulate gold as a war fund. Gold was and is unserviceable for war. Now, indeed, an *auri sacra fames* has set in. The war chest *must* hold gold, because silver is discredited and no one knows how low it will fall, nor how much more of it than at present one may be able to buy with the gold when war breaks out and it is wanted. Therefore, when stored abroad it is stored where it can be most easily got at. Yet the exports of gold from France to Russia have been at least as great as those from England.

*H.* I think we are the better off for having no agio.

*G.* As a matter of fact we have at this moment an agio of from 2d. an ounce, or 2 per mille on bar gold, to as much as 3½d. an ounce. Usually, however, *our* agio is levied in a different manner; and our neighbours across the Channel are not so heavily afflicted with the kind of burden which we bear.

Whatever the benefit of that inflow and outflow in which you rejoice, one disadvantage of it to commerce generally is that the rate of discount is perpetually changing here, while in Paris it is comparatively steady. Both nations keep as much bullion as they think they need to meet their obligations. The French impede the outflow of gold by means of an agio; we by raising the rate of discount.

*H.* Well, that hurts nobody, I suppose. Except in times of crisis, the rate is never inordinately high.

*G.* That depends on your definition of crisis. It is the frequent variations with which traders are discontented.

*H.* But not the bankers, I suppose.

*G.* The paradise of bankers is a land where the rate of discount is stationary at 4 per cent.

*S.* That seems a high rate. The traders, at least, prefer the 3 per cent of to-day.

*G.* Certainly not. A low average rate of discount marks depression of trade.

*S.* You puzzle me; I must think it over. When shall we have another turn at it? I must be off now.

*G.* To-morrow, if you like. Good night, all!

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## THIRD DAY.

Dearness or Cheapness of Money.

Rate of Discount.

Banking Expedients.

Farrer.

Quantitative theory of price.

Cost of Production.

Evils of present system.

Efficiency of proposed remedy.

Why does not France return to status quo ante.

Is not England prosperous?

Producer v. Consumer.

India.

*S.* We were talking yesterday about scarcity and dearness of gold. It strikes me that what you said about it is inconsistent with the facts of the case as they come clearly before us? How can money be scarce (for that is in effect your allegation) and at the same time abundant?

*G.* What is money?

*S.* Eh? I didn't catch your remark. I was going to say that my impression is that there has never been a period in modern days when concurrently with the alleged scarcity of gold there has been a greater abundance of money made available by banking and financial facilities for stimulating the production of commodities of every kind; and, if statistical information is available, it would, I am sure, be found that in all parts of the world the amount of money, credit or capital—whatever you like to call the conventional currency which has been employed—advanced by bankers and others for these purposes, has been far greater during the last ten years than in any corresponding period of the world's history.

*G.* You must define your terms. That was the gist of my ejaculation just now. You use the phrases "abundance and scarcity of money," in a wholly different sense from that in which I use them when I speak of scarcity of gold—that is to say, of the lack of correspondence between its supply and its demand which makes it dear. I use the word money in its economic or scientific sense: *you* in the popular sense—the sense of the daily "money article."

S. Don't they coincide?

G. Sometimes they do. The low value of "money" in your sense of the word may be, and usually is, coincident with the first outburst of a large increase of the world's measure of value; and when that increase is in silver, the immediate influx into a silver-using country will tend to lower for a time the rate of interest there; when the increase is in gold, the immediate influx into this gold-using country will inevitably reduce for a time the rate of interest (or rather of discount) in this market.

S. That, I suppose then, was the cause of the low discount rates early in the fifties?

G. Yes; in 1852 the production of gold was £36,550,000, of which a very large part must have flowed into London in that year. The effect of this, under the Act of 1844, was that the Reserve of the Bank of England was greatly increased for the moment, and the rate of discount accordingly fell to  $1\frac{1}{2}$  per cent, and even to 1 per cent, per annum. But we are speaking not of a sudden inflow into the reservoirs of the Bank, causing them to overflow, nor of the low rate of interest thus produced, but of an increase of the quantum of the measure of value; and I assert, with all political economists, and no one has at all impaired our assertion, that the temporary rate of discount in the English market is a wholly different matter, and affords no test whatever of the abundance or scarcity of gold money in the world.

S. I wonder if statistics bear you out?

G. Indeed they do. If the discount rate did afford such a test, judgment, on the evidence so taken, must go against your contention; for in the eight years from 1844 to 1851, when the stock of gold money in the world was very low, and trade was low also, the addition to the stock was £81,686,000, and the average rate of discount was 3·6125 per cent, while in the eight succeeding years from 1852 to 1859, including 1852, in which discount fell to its lowest, the addition to the stock of gold was £226,220,000, and the average rate of discount was 4·3457 per cent. You will find the details of the years in Sir Louis Mallet's addendum to the report of the Gold and Silver Commission.\* Both periods included a year of crisis and of very high rates, so the comparison is a fair one.

S. Well, I think the world-wide extension of banking, and the savings of the present generation seeking profitable employment, have much more to do with the fall in prices and profits than any

\* P. 120. For the mode in which an increase of the precious metals affects the level of prices by slow degrees, see Questions 4675 and 4693, Gold and Silver Commission.

possible idea (for it is little more than an idea to most men of business) that gold is appreciated, or its assumed purchasing power become greater. The banking facilities, I mean, are all practically convertible; they are thus of the same value as gold, and may be called gold.

G. Please explain the way in which you think that banking facilities "reduce profits and prices"? Some banking facilities tend to increase both. A loan from one's banker, whether on bills of exchange or securities, enables one to hold one's goods for better prices. Is it, then, banking expedients, banking machinery, that you mean—such as the said bills of exchange, cheques, bank-notes (so far as they are fiduciary), post-office orders, postal notes, telegraphic transfers, and all systems of transfer, including that gigantic one, the clearing-house?

S. Yes; I was referring to the Banking expedients.

G. Do you mean that these are so many supplements to gold, as a measure of value, so many additions to it in that capacity? If so, they must inflate the currency; and unless Mill and all our great economists are wrong, their effect would be to *raise* prices, not to lower them, and every successive invention or development of such machinery should produce a further rise. How is it possible to conceive that an increase in the amount of that which serves as money, be it metal, paper, or transfers, could depress prices? If the level of prices had *not* fallen, though the production of gold had diminished in proportion to the demands on it, it might be possible to attribute that strange phenomenon to banking expedients; but it is against every definition to be found in any book on such subjects, to suppose that prices are not directly affected by the relation between the quantity of money and the quantity of commodities.

S. Then these instruments, so far as they are used, are a supplement to gold, and a practical increase of the measure of value? When I buy a commodity, and pay for it, half in bills of exchange and half in cash, *i.e.*, by a cheque, or else all in bills, no gold passes.

G. The bills, the cheque, the gold itself, are all instruments. All serve as a medium of exchange; all represent capital, and not merely gold. Yet they may in some degree increase the measure. There must be *some* mean between the notion that forty cheques drawn on the same hundred sovereigns are equal to £4,000, and the notion that they make no difference at all to the magnitude of the measure of value. In an indirect way and in some degree they supplement gold even as a measure, and so far as they do so their tendency is to raise prices; but their real function (of some in more and of some in less degree) is to multiply indefinitely the gold

as a medium of exchange. Some of these expedients, instead of supplementing gold, increase the need of it.

S. How do you make out that?

G. Why, look at telegraphic transfers. They are bills of exchange payable on demand, and being without advice need a larger balance at the drawee's banker, a larger balance at the banker's banker (the Bank of England), and a larger reserve in the Bank vaults to meet them. Post-office orders and postal notes directly increase that need, because each one (for more than £1) demands the deposit of gold at its place of issue, and of gold again at its place of payment. In this year (1892) there have been issued no less than £8,680,000 for £1 each, and £3,260,000 for 10s., of which latter, part was no doubt deposited in gold.

S. But money is certainly cheaper. It brings, I mean, less interest than formerly. In my younger days a prudent saving man looked to a 5 per cent interest on an investment as a rate which he was entitled to obtain with good security, and the profits in trade and agriculture were very much in proportion to the returns from investments; but accumulations of savings have gradually brought down the return from safe investments to 3 per cent and  $3\frac{1}{2}$  per cent, and so indeed, by reason of its very abundance, money instead of buying more buys less, brings a less return in income to its possessor, and in a corresponding degree men employing money in the production of commodities run greater risks for smaller profits than in times past, and compete with each other with much narrower margins (but going farther afield) with greater areas and increased machinery of all kinds, looking for an aggregate profit on quantity to compensate them for a diminished return on the article. As profits decrease, processes improve so as if possible to make up for it.

G. Yes, money is cheaper; that is to say, not the metal, but capital. Capital brings less interest than formerly, and you believe the profits of industry and agriculture to have shrunk indeed, but only in a like proportion. So that, the profit being less, men have increased their production in order to make up by the multitude of profits for their smallness. But is this the fact? Are people so doing? Is more money going into industry and agriculture? Is that to be learnt from any trustworthy evidence before either of the Royal Commissions? Is it not rather the fact that because of the uncertainty of profit, and in many cases the probability of loss, in the ordinary channels of trade, men have either taken refuge in a quasi-coöperative business, becoming shareholders in industrial undertakings, hoping thus to increase profits by diminishing working expenses and to limit the possibility of loss; or to take yet safer refuge in public loans and other permanent securities,

paying increasingly higher prices for these, and thus obtaining only a low rate of interest. Processes do improve, as you say, but that benefits only those who (as you also say) have the wit to employ them—not trade generally.

S. But take natural products, now, such as wheat. I can't help thinking that the fall in prices was largely owing to the opening up by railways and steamers of new sources of supply to the markets of the old world. The Indian ryot can, I believe, live on fourpence a day, and his labour does not enter very largely into the cost of production; but until the Indian railways made it possible for his surplus produce to reach the sea, it did not affect any European market, however cheap it might be. Freights are about one-third of what they were ten years ago, and it now costs less to bring a quarter of wheat from any port in America to Liverpool or London than to cart it from a farm twelve or fifteen miles from a market. Practically the whole producing surface of the earth is brought by railways, telegraph, and steam-vessels within touch of our markets, and these changes have been effected so noiselessly, while we have all been going about our own business, that we have not been conscious of the tremendous economical revolution which has been effected. And the same forces are in operation with regard to sugar, to wool, to timber; cheap money, cheap labour, and cheap transit, all combine to produce a greater supply of such commodities at any prices which will leave a margin of profit.

G. Quite true; but I have shown already that it is impossible that any development of communication, however potent its effect to reduce prices, could *suffice* to account for the fall of gold prices since 1873. The level of those prices must be lower than it would otherwise be, by the mere fact that gold has not been produced since then in quantities commensurate with the demands upon it.

S. You admit improved communication as a potent factor in producing low prices.

G. No doubt; but the best answer is another question: Were steamers and railways and the telegraph invented since 1873? If they were, they may account for the extraordinary fall of prices since then; but if not, not. The truth is that this great progress in all means of communication has been going on both under the continuous rise of prices and during the continuous fall. Much has been done since 1873, but much more before. It moderated the rise and intensified the fall. In 1850 there was a revolution in the means of communication; in 1873 and since that date there has only been development of it.

There is not the smallest ground, I think, for connecting the date of what you justly call this "tremendous economic revolu-

tion" with the date of the fall of prices. On the contrary, the largest economic revolution in communication dated from the same period as the gold discoveries, and that was followed by a rise in prices. The making of railways could not have produced a rise in 1850 and a fall in 1873.

If, then, improvements in communication and economies in banking were proceeding steadily both during the rise and the fall, some other cause than these must be discovered for the rise and fall.

H. We will take your quantities, as well of production as of additional sums used as money, for granted; but still I cannot but think that there is another fatal objection to the theory that any part of the fall of prices should have been caused by the insufficiency of the supply of gold to make head against the demand. If variations of price were due to changes in the standard of value, the unit of which is a constant quantity, those variations must affect all commodities alike, subject to particular conditions in each case. But this is obviously not the case.

G. That is your old argument as to the ratio,\* now doing duty as to price. I partly explained this just now in answer to a question of White's. The answer is, that it *does* affect all commodities alike. A section of the Royal Commissioners, indeed, say as you do,† but they adduce no proof, contenting themselves, I think, with giving the evidence of those witnesses who thought so too. Of course, all have not *fallen* alike, because of those particular conditions to which you refer. Of course, some have *risen*, because of the particular conditions attaching to *them*. But the fall in the one case has been increased by a definite cause, amounting to  $x$ , and the rise in the other case has been diminished by the same  $x$ . In other words, all prices are affected by that which measures the commodities sold. If nature has tended to cheapen them in other ways, comparative scarcity of the measure will cheapen them still further. If nature has by other means done what should cause them to be dearer, scarcity of the measure will cheapen them, or render them less dear; and the cheapness produced by this latter factor will do no good to mankind.

S. I am glad that you don't think the comparative scarcity of gold the sole cause of fall in price. That's one point gained.

G. If I, or anyone, had ever said that the sole cause of the fall of prices was the shortening of the measure, we should make a like mistake to that made by you and Harrop, who seem to hold that it is only due to the other causes you mention.

\* See page 13.

† Report, Part II., §32 and §47.

H. Are you sure, after all, that the shortening of the measure has anything to do with it?

W. Do you think, Harrop, that if you make the yard a measure of 30 inches instead of 36, you will get as much stuff in a yard of cloth as you used to get? or, if you make it 40 inches, do you imagine that you will get more cloth for your money than you used to get?

G. If we are wrong, White, we are wrong in company with all the great economists of the past. Our friend Harrop had better occupy the next few years of his life in writing a book—a *magnum opus*—to prove his point!

H. You have said a great deal about the effect upon prices of the quantity of standard money. I don't feel quite satisfied about your quantitative theory.

G. It is not *my* theory. Did you never read Mill's book, Harrop? If you did, you must have forgotten it. He says, "That an increase in the quantity of money raises prices, and a diminution lowers them, is the most elementary proposition in the theory of currency, and without it we should have no key to any of the others."

Mill is not infallible—but his authority is too great to be neglected without conclusive argument.

W. Farrer says, I hear, that the money, the excess or defect of which tends to cause a rise or fall in prices, is not gold, but the money of the banks, of the city, of common life, with which we pay our debts and effect our exchanges, and that it may be and is increased or diminished indefinitely without reference to our stock of gold.

G. I wonder what that invisible indefinable money is?

H. I suppose it is what Smail called just now "the conventional currency" of the world, including, or rather representing, credit and capital; and to this I think you assented.

G. Certainly I assented to the existence of such a conventional currency. What I denied was the assertion that gold could not be scarce and affect prices, because this conventional money was temporarily cheap either by reason of an influx of specie, or by reason of stagnation in business.

W. Farrer's argument seems to be capable of reduction *ad absurdum*. It would follow from it that if there was but one ounce of gold or one sovereign in the gold-using world, the conventional money would go on just as well, and serve all our purposes.

G. Yes. We should come to what Mill calls *macutes* or "money of the mind." He would find it hard to induce his foreign

creditor to accept it as a discharge of debt. What an argument in the mouth of a modern Monometallist ! We must not, indeed, hold our friend Farrer responsible for the follies of his brethren, for statements that England is the "hub of the world" because "one can always get gold there," nor put into their mouths his argument that it is the conventional money which rules prices, independently of the quantity of gold-money in existence, and that whether this gold-money is much or little, or—logically—altogether non-existent (the metal being used "for other purposes") prices will be unaffected. "Keep your mind fixed," he would say, "on the fact that a pound sterling has been declared to be 123·27 grains of standard gold, and commerce will go on swimmingly without reference to the metal itself."

*W.* I can't grasp the idea of price being a defined portion of an indefinite, variable, and unsubstantial mass of capital.

*G.* I should think not ! How is that capital—that conventional currency—measured ? What is the denominator of which "price" is the numerator ? Is price so many fragments of an indefinite mass, or is it so many multiples of a certain number of grains of metal, which must be demanded, and if demanded paid, in order to complete a transaction ?

*W.* The latter, no doubt.

*H.* I know he says, as you say, diminution of the world's stock of metallic money causes a fall in prices. There are some who say that the contrary is the case, and that it is the fall of prices which diminishes the quantity of money.

*G.* They say quite rightly ; as I have often said in reference to your banking expedients, Smail. The lower prices are, the less is the volume of money *in daily use*, passing from hand to hand, whether it be in cheques, in bank notes, in bills of exchange, or in the specie on which all of them rest. But what then ? That doesn't impeach Mill's statement and mine, that increase or decrease of the stock of that specie *in existence*, or, what is in effect the same thing, a narrowing or widening of its use as money by the nations of the world, has an effect on prices for rise or fall.

The unit of price is a metallic one, and if the metal is scarce and dear—let us suppose it to be a metal (say Rhodium) ten times scarcer, and therefore ten times dearer, than gold or silver, it is obvious that you would have to buy 123·27 grains of it with ten times as much wheat as would buy a like quantity of gold. In other words, wheat would be ten times cheaper in the pound sterling of that land of Utopia than it is as reckoned in the pound sterling of England. I don't think the consumer would be the better for that cheapness.

\* Book III., ch. 8, §2.

*H.* I don't know that he would. I don't see, however, how you can maintain the distinction which you draw between money in daily use among individuals, and money taken into national use, as gold was by Germany.

*G.* When the fall of prices cuts off a portion of the volume of money in daily use, the 30 per cent, or whatever that portion is, is merely laid by in temporary idleness, or used for other purposes. It is still money, and a spurt in trade from any cause will make prices rise, and cause it to resume its activity immediately. But if production ceases, or is insufficient to provide for wear and tear and for increase of population, there is no recourse; the metal in the bowels of the earth is, by the hypothesis, not available, and prices dwindle.

So, if the 300,000,000 inhabitants of China discarded silver and took to using gold money, it would be equivalent for the rest of the world to a diminution of the stock of gold. If the 300,000,000 in Europe demonetized gold, and took to a forced paper currency, that would be equivalent, for England, to additional production of the metal and increased stock of it. There can be no doubt that in the former case our measure of value would be made dearer, and prices would fall. In the latter, the measure would be cheapened, and prices would rise.

Now such changes as these in the distribution of the metallic money of the world are not adopted in a freak, nor at a day's notice, nor by the action of Nature; nor when done can they be undone without great difficulty; nor can the mischief be remedied by a good season, or by any fortunate conjunction of circumstances as would be the case with an ordinary fall of prices in any market, caused by abundant natural supply, or fortuitous cessation of demand for certain commodities. The reduction of the measure affects the price of *all* commodities, as Harrop rightly said it must.

*H.* I think I must accept Mill's authority.

*G.* You had better make up your minds. At present you are in the inconvenient position of (1) doubting whether diminution of the measure of value by the demonetisation of silver could lower prices, and (2) asserting that an increase of the measure by the remonetisation of silver would dangerously raise them!

*S.* You must bear in mind, that there is another cause for a fall in prices not to be accounted for by a mere comparison of the quantities of supply and demand. A slight excess of supply over demand—a competition of sellers—lower prices and a slight deficiency, as in the case of the coal famine, increases prices out of all proportion to the measure of the real excess or deficiency. You may think me heretical or ignorant for saying so; but I stick to that belief.

G. So do I. But it is a phenomenon which invariably, in the case of consumable articles produced at the will of man, tends to correct itself; and can in no way account for a fifteen years' steady fall in the level of prices.

W. Why have you to go so far afield to account for one or other being "the cheapest metal," or for a rise and fall of prices? What has become of our old friend, "cost of production"? "A hat costs a sovereign because it costs exactly the same amount of labour to produce a sovereign as it does to produce a hat." Every schoolboy knows that!

G. Possibly: but no one else! And I fear even the infallible schoolboy would be, as you were just now, unable to explain how he should get at the cost of production of the £880,000,000 of gold money in the world, the accumulated produce of thousands of years! The prices of consumable and perishable commodities are indeed governed by the cost of production, plus demand. But if a new £880,000,000 of gold, the imperishable measure of value, were produced—no matter whether at a cost (including all vain searchings) of £6 an ounce, or by the Count of Monte Christo in a cave, at no cost at all—the effect, viz., a large increase in prices, would be exactly the same.

S. That seems probable; but there is another thing to be accounted for. You speak of fall of prices, and I suppose some fall must be admitted. But how is it with articles of commerce, the production of which is limited and cannot be rapidly extended by capital or enterprise—as, e.g., good French wine, or, indeed, any good wine or works of art? It will be found that prices are higher than they were ten years ago, that the purchasing power of money or gold is less than it was, and that for everything of which the production or supply is nearly a constant quantity there is an increased demand, because there is an increase in the number of persons who are able to buy and who have money at command; and if gold is money and money is gold, then gold for these purposes has undergone a process of depreciation instead of appreciation.

G. That accords with my answer to a remark of Harrop's. Certainly when anything grows dearer, gold is, as respects that commodity depreciated; but I am speaking now of produce generally and its prices, not of particular articles. Mouton (Rothschild), first-rate pictures at Christie's, ancient MSS. at Sotheby's, rare coins and books, race-horses, match-horses, opera-boxes, fetch not only as high but higher prices than before. They cannot be increased in quantity at will, and cannot properly be placed in comparison with commodities which indicate reproductive wealth. The same reasoning applies to them as to

permanent investments: the unproductiveness of business makes men rest on their oars, content with what they have and willing to take a low rate of interest on Consols, and no interest at all on such purchases as these except the interest of enjoyment. It indicates also that the owners of these realised fortunes are becoming richer and more numerous, and that those whose labour is reproductive are becoming poorer.

S. I hold to this point; gold is simply a standard of value; and so long as our currency is convertible and we keep a certain reserve of the metal to assure the world of its convertibility—so long, that is, as our commercial system rests on a sound basis—though interest may rise and fall as the quantity at command becomes less or more, there is little chance, I venture to think, that gold as gold will be “appreciated.”

G. Nothing can be more just than your first words. Gold is merely a standard of value: and if we use the words in the same sense, they are the key of my position, and dominate all your arguments, destroying them as completely as any arguments of mine can do. What do *you* mean by the words? I think you mean what *I* mean when *I* say *measure* of value.

That it *is* a measure—besides any other quality it may have—is the very thing for which I contend. If either the measure shrinks, or the thing measured is enlarged, the effect is the same: the thing measured will contain more multiples of the measure. If both happen at once the effect is again the same, but intensified. But if you repeat that substitutes for gold have been found, supplying the alleged deficiency, I must then ask, Have they been discovered since 1873? and what were they when they were discovered? They were *orders to pay* so many sovereigns, so many units of the measure of value. According as those units are parts of a large or a small aggregate, portions of an abundant or scarce commodity—parts, that is, of a cheap or dear whole—so must the orders to pay them, even if these are really an addition, a supplement, to them, and themselves part of the measure, rise and fall in value with it, and be appreciated or depreciated with its appreciation or depreciation. You spoke of buying a commodity, and paying for it in bills. If gold has become dear, *i.e.*, if the commodity has become cheap, the volume of those bills—of those banking expedients of which you speak—shrinks in exact correspondence with the increase in the value of the gold; *e.g.* copper used to sell at £100 a ton, and it now sells, we will suppose at £50. The volume of your bills given in payment in 1850 would have been £10,000 for 100 tons. They would now be £5,000; and so with all other commodities.

S. You argue, then, that the volume of paper at any given time is dependent on the value of gold?

G. Yes ; and dependent on the quantity of gold itself in respect that its aid to the standard, whatever that aid be, must be dependent on its being exchangeable for gold ; and the power of getting gold for it, or the belief in its exchangeability, must be affected by the amount in existence and obtainable somewhere in the world.

S. As to convertibility, I admit that I don't feel sure that, in times of stress and doubt and financial distrust, our present stock of gold is sufficient to maintain the convertibility of our paper money. Individually, I think the amount of the ballast somewhat dangerously low for the financial ship in bad weather ; but that is another question altogether.

G. That the amount in the Bank of England will pay all comers, and that that in the other banks will pay all the demands on them, is merely an affair of bankers' calculations, on which the public can form no sound judgment ; and has nothing whatever to do with the relation of the unit of the measure of value to purchasable commodities.

S. I have, I think, only one more shot in my locker. Why complain of low prices ? They bring their own cure. And the cure is the disappearance of profits and of the capital which has been employed in production ; but if there is still an accumulation of capital—unspent profits—going on, it will seek employment at any rates of interest in stimulating the production of the necessities of life all over the world. The farmer and the landed proprietors have lost capital and income which they may not regain, but the community are still on the whole richer, and increasing the stock of money which is as good as gold ; while you cannot deny that sufficient gold is found to maintain the standard of value.

G. That is quite true, and as regards the (assumed) decennial periods of inflation and depression of prices caused by over-sanguine or over-despondent trading, there is nothing to be said against your assertion. But we are discussing a totally different phenomenon—one spread over longer periods, and caused, not by over-sanguine or over-timid speculators, but by uninquiring legislators.

If the farmer and landed proprietor, the cotton-spinner and mine-owner, had, as has often been the case, been launching into unjustifiable speculations, I admit that the country should not be called upon to interfere between them and the natural consequences of their acts. But it must be remembered that the foundation of the bimetallic contention is, not that the country is not growing richer, but that the goods of fortune are being unequally distributed ; and *that*, not by Nature, nor only by individual enterprise and saving, but by the action of the (on this point) short-sighted legisla-

tion of 1816—19, and by the neglect on the part of this generation to weigh and consider the vital consequences to ourselves of the effect of the action of the German and French Governments in 1873, taken in conjunction with that legislation. And we contend that the consequence has been that the classes who live upon realized capital have grown richer, while those who have lost or lessened their capital and income are the industrious producers.

*S.* You have given us a catalogue of ills that have followed from the events of 1873. You have yet to answer my doubts about the efficacy of your nostrum.

*G.* Why, if the action of Germany and France in 1872-3 has, as is admitted, swept away the Par of Exchange, if it has tended, through depriving silver of a great part of its ancient monetary powers, to appreciate gold, and to produce a consequent fall of prices, and if the result of these circumstances is the handicapping of British Manufactures, whether of corn, horn, or yarn, *i.e.*, of food and clothing, it needs no *Œdipus* to tell us that the reopening of the Mints to the white metal, and restoring it to the full exercise of its monetary functions will undo, or go far to undo, the mischief that has been done.

*S.* That may be ; but you have still to convince me that it will not bring other mischiefs in its train ; that the remedy will not be worse than the disease. If the former state of things was good for commerce and for the welfare of the people, and if its destruction was so harmful, why did France make the change ? and why, having made it, did she not take the earliest opportunity of retracing her steps when its evil results became manifest ? Tell me that.

*G.* The solution of your riddle is difficult, but not doubtful. Its difficulty arises from its having to travel over twenty years, analysing the actions and conjecturing the motives of men during all that time. Why did France and the Latin Union make the change ? In two words—Over-pressure on the Mints. Hostility to Germany, to whom the open Mints of France and Belgium were a great source of profit.\* It is quite certain that they had no intention of finally closing their Mints when they placed the first restrictions on the coinage of silver in September, 1873 ; and that when they did finally close them they had no conception of the grave results that would follow on their action, whether in the fall of prices or in the destruction of the par of exchange.

*H.* Might not the French answer that they knew their own business and what was best for their country ?

\*NOTE.--See an interesting article on the Latin Union, by M. Cucheval-Clarigny, in the *Revue des Deux Mondes* of last November (1892).

G. They might. They have said so as to Protection of Native Industry ; but I don't think you will maintain that they did know it. As to the danger of closing their Mints, where do you find evidence in any French writings of the time when the step was in contemplation that the idea had entered the head of any Frenchman? Had it entered yours, or the mind of any of us? Even now, how many have given it any consideration? Why, it is not five minutes since you yourself were very hazy on the subject ; and you and Smail were both of you in doubt whether gold had become dear! There was but one man in England at that early date who traced the mischief to its true cause, and foresaw and foretold the precise course that it would take ; and that man was Ernest Seyd.

H. I fancy too that you were no keener-sighted than the rest of us ; and have been wise after the event.

G. Quite true. I had heard what Seyd had to say in 1876 ; and was not more inclined to believe his prophecies than the majority of Englishmen of that time, till circumstances led me to examine the matter more closely.

H. It is very strange that a nation should go wholly wrong.

G. Not very. I daresay England, as well as France, has done so before now. *Populus vult decipi*. You must remember that France as well as England is and always has been governed by statesmen who have little personal knowledge of foreign trade ; and that it could hardly be expected that they would or could exercise a correct judgment on matters which of all others needed personal experience.

W. I suppose the French would naturally accredit that sort of foresight to "a nation of shopkeepers."

G. There is some reason to think they do ; but I am not sure that they have any reason to do it. We, indeed, in England have had excellent men of business as our rulers, especially of late years ; but for the most part they have had no special experience of exchanges, nor of that which is the cause of exchanges, import and export of commodities.

S. Oh ! Oh ! Has Goschen no knowledge of these things ? of Foreign Exchanges, for example ?

G. No man more. There have always been exceptions, and he is a brilliant one. And for that reason he would never have needed to ask any of the ingenious and clever questions with which you have been pelting me. You ask why France and the Latin Union did not take the earliest opportunity of retracing their steps. They did take it. They warmly welcomed the invitation of the United States to the Monetary Conference of 1878, with a view

to retracing them ; and three years later they joined the United States in an invitation to a new Conference with the same object.

*H.* But nothing came of it ; and I cannot but think that if France had satisfied herself that it was desirable she would have done it with or without the other nations. I doubt she won't do any more at this coming Conference of 1892—if it is coming.

*G.* She refused to act alone, or even in conjunction with the United States, either in 1878 or in 1881, because she had learned by experience that the wider the union the safer ; but she might have been satisfied, for all that, that what she was able to do alone for sixty-two years, and with the support of the other States of the Latin Union for eleven years more, she and they with the United States could have most certainly and safely done in either of those years, or at the present moment. It would have been easy in 1878 ; less easy in 1881 ; and less easy still as time went on, because, with closed Mints and increasing production, silver was becoming discredited. Still, the Mints once re-opened, the discredit would have ceased ; but there was, no doubt, another impediment.

*W.* What was that ? It must have been a strong one, or they would not have allowed it to stand in the way of what they recognized as their national interest.

*G.* England stops the way. It is evident to all the world that to no nation are the interests of Commerce so important as to Great Britain. Neither France nor any other country has an India on her hands, whose destinies she must direct and for whose welfare she has to provide. What does the Commerce of all Europe with silver-using countries weigh in the balance against the Eastern trade of England ? "If," say the Continental nations, "England, whose interests are so great, refuses to make any change, why should we do it ? England ought to know best. Let us follow her. She has prospered greatly under the law of a single gold standard. Had it been otherwise she would have been the first to change. When she does so, we will do so too."

*H.* Very sound argument, as it seems to me.

*G.* I return to what I said just now. If they had the smallest reason to believe that our Statesmen, who have, in fact, the directing voice in these matters, had given any intelligent study to the question, had any personal knowledge of those branches of our commerce which by their supineness they are helping to destroy, the argument might be good ; but not only is it evident that they have no such knowledge, but that they seek inspiration and guidance from men who have no more direct knowledge, no more direct interest, than they have themselves ; forgetful of the

fact that you do not go to the tailor or even to the shoemaker to learn whether the shoe pinches, but to him who wears it.

*W.* Do you think, then, that other nations are moved in this matter solely by their admiration of England's commercial wisdom?

*G.* No; for let us take France as an example. She was very uneasy on the monetary question 10 or 15 years ago; but she now finds that though her commercial prosperity is not advancing as rapidly as she could desire, she can jog on very comfortably as she is, waiting patiently till we shall be cured of our monometallic madness, and be forced by the stress of adversity into saner courses. Then, she thinks, the reform will be conducted, as in truth it ought to be, on broader lines than if she, with her allies of the Latin Union, should at once open her Mints.

*W.* I should imagine that the one thing which affects the imagination of foreigners is the commercial eminence of England under the law of the single gold standard.

*G.* The fallacy of *Non causa pro causa*. They have no evidence that that eminence is a consequence of the single gold standard. It would be very easy to show that it is not. Even if one could show that it conduced to our prosperity under the monetary circumstances of the world as they existed before 1873, certainly our prosperity has not been conspicuous since that date; as you may learn not only from the evidence of the sufferers, but from the Reports of two Royal Commissions who bestowed infinite pains on sifting that and the other evidence before them.

*H.* But I am told that since 1873 the Income Tax returns have shown a satisfactory and normal rate of increase, and that the Death Duties also, which are pretty good evidence of Commercial prosperity, have been very large.

*G.* As to Income Tax, I should like to know how much of the increase is due to more careful and more exacting collection, concerning which I remember some very authoritative evidence, and how much from increase of trade profits assignable to financial speculations, or causes other than to any prosperity of legitimate commerce.

As to Death Duties (if you like to call them by that ghastly name), you can hardly be serious in quoting them as evidence of prosperity since 1873! Have all the people who have died within the last fifteen years, and left large fortunes, made them during that period? Surely it would be impossible to adduce more inconclusive evidence! So far as their fortunes sprung from trade profits, they are more likely to have been the earnings of all their lives, say, down to 1876, minus the losses since that date.

To return to your question, Smail, as to the reluctance of

France to re-open her Mint. The true answer is really comprised in the four words, "England stops the way." Everybody knows that England has but to hold up her finger, and the nineteen other nations (or whatever be the number) to be represented at the Conference will at once fall into line. This they certainly would not do—not one of them—if they did not think it to their interest to do so ; and no one has shown in plain and conclusive words, or otherwise than in vague declamation, what harm could result to them or to us from doing so.

Now, Harrop, Smail is answered, and, I hope, convinced ; and I will have a turn at your tirade. What was it, in brief?

H. It was the political aspect of the question, which I think must be decided, not by the scientific argument, but by considerations "better understood of the people."

G. I remember. "Our object," you say, "is to make things dearer, but the multitude want them cheaper, and the multitude have votes. Indian cultivators will suffer, and our manufactures with them. Wages have scarcely fallen, and their purchasing power has risen."

Well, now, if your minor premiss were only a little true your argument would be a good one ; for certainly the question will be decided by the voting multitude according to what they think to be their advantage. But the "object of bimetallism" is not, as you think, attained if prices rise. The main object, as you will see in my evidence, and in that of other witnesses, is the sound one, against which no political economist can, and no monometallist ought to, say a word.

It is the restoration of the par of exchange between gold and silver-using countries, the establishment of one money in the world of commerce in place of the two disjointed moneys which now exist, producing between them a kind of bastard Bimetallism, begotten without the solemnisation of true and lawful wedlock between them. And in this Bimetallism, strange to say, monometallists rejoice.

H. The par of exchange may be *your* object, but I am satisfied that rise of price is in all your hearts.

G. As to the general objects of the party—for it is a party, and a large and increasing one—do you not see that while all of us have in view the general good of commerce, each man necessarily has most in sight the sufferings of his own neighbours, and lifts up his voice accordingly. My manufacturing friends cry out at the protection which our evil legislation has afforded to their Indian rivals. The Indian Government cry out at the annual loss which it has entailed on them, obliging them to maintain oppressive taxes, and abstain from remunerative public works. H. Chaplin

sees around him the distressed condition of that greatest manufacture—the production of food—and he seeks to remedy that depression. The merchant sees that the disruption of the par of exchange would bring his trade with silver-using countries to mere gambling, and he is forced to give up that branch of business, and cries out for himself and for British commerce. The wage-earner is not the fool you take him to be, and he also is crying out pretty loudly. You, rather illogically, as I think, fix your eyes on H. Chaplin, and transfer what you wrongly deem his sole object to all these other interests concerned. If you ever come to be Chancellor of the Exchequer you will have to take a less narrow view.

*H.* Wait till I am, and you will see.

*G.* I can only say that I hope it may be when you are much older, and as much wiser as we all hope to be.

*H.* I am wise enough already, and so I think are we all, to know that the agriculturists are hoping for a rise of prices—that the general lamentation has all along been for the depressed state of trade and lowness of prices. You won't deny that.

*G.* Do you happen to know any trade, the persons engaged in which do not desire a sufficient rise in the prices of their wares to enable them to live by it? We have, as you say, all of us, the rise of prices in our hearts; but only so far as it springs from the general improvement of trade, and the increase of natural prosperity. No doubt depression of trade, by whatever caused, brings about lowness of prices, and this again reacts on trade and intensifies the depression. Am I to count either of you as desiring a fall of prices produced by a decrease of national prosperity and a decline of national wealth?

*H. S. and W.* Certainly not.

*G.* I think you represent in that, the opinion of all thinking men. I will admit that one of the effects of such increase of the measure of value as the rehabilitation of silver might produce would probably be some rise of general prices of commodities, but it is impossible to say how much or how little it might be, or how much of it would be the result of the consequent revival of trade. You will see in evidence before the Royal Commission\* that there is likely to be but little inflation of the general currency of the world from the increase of the measure of value.

*H.* I hear it commonly said that gold has appreciated, *i.e.*, commodities depreciated, 30 or more per cent. You have told us that you don't attribute all this fall to the greater demands upon gold. If that were the sole cause the restoration of silver at the

old ratio would reverse it, and the rise would be equal to the fall. Can't you tell us what sort of a rise we might expect?

G. That I can not. The causes of the fall are threefold :—

1. Abundance ; produced generally by improved communications. That is wholly good ; and would not be touched by the restoration of silver. 2. The direct action on gold of the events of 1873, and by other events consequent thereon. I have already said how impossible it is to assess the proportion of the 30 per cent which is due to this. 3. The indirect action of the same causes, shown in the paralysis of trade. To this a large proportion is due ; and any rise which would follow the cure of this malady would be an unmixed good to the whole nation.

One of the indirect effects of the measure would be that the protection which the present system grants to the Indian cultivator would be removed, and the English producer would cease to be handicapped.

H. Ah, the producer ! I knew he must come in. Have you no care for the consumer ?

G. I beg his pardon, and yours. I confess myself not quite able to swallow the new creed, of which our friend Bertram Currie seems to be the apostle.

S. What creed ?

G. Oh, it is a confession of faith which is daily recited in honour of the great goddess Vilitas (which is, in the vulgar, Cheapness), and runs to this effect :

“Producers are infernal scoundrels and public enemies, and when we have destroyed the last producer the ravens in the wilderness will feed the consumers.”

W. In any case you seem to admit that you will hurt the Indian cultivator and the Indian spinner.

G. I admit nothing : I wait till you people have made up your minds with which horse you will win. One speaker in the debate of 1889 was sure that the spinner gets no advantage from the fall of the gold-price of silver ; and the same is said of the ryot, or rather of the landowner. Very well, then ; it is clear that in that case he would suffer no loss by the rise of that metal. But you think he *would* lose, and I incline to that opinion. But as to the Indian producer, according even to monometallist arguments, the adjustment of silver prices in that country is only a question of time, and any rise therefore caused by an equalizing of gold and silver prices could only be an anticipation of what time would sooner or later do. The longer the adjustment is postponed, the worse will be the condition of the Indian.

But if *one* must suffer, and no one can doubt that the Englishman does, cultivator for cultivator I prefer to stand up for the English one. We unwittingly benefited the former by the tares which we sowed with the wheat in our legislation of 1816-19 (which seed bore fruit in 1873), and we should do him no injustice, and should help ourselves, so far as our own producers are concerned, by reversing that legislation.

*H.* You treat it too lightly. My opinion is that the market would be destroyed for the Indian's wheat in Europe, and for his cottons in China. I believe such a proceeding in these days of Indian Congresses would produce a mutiny far more serious than the greased cartridges did.

*G.* You think the Indian troops would mutiny, and the population rebel, because one Englishman was permitted to pay his debts to another Englishman in silver or gold at his option. I don't believe it; nor is it true that the Indian wheat trade will be destroyed.

*H.* They would see that you were sacrificing the interests of 250 millions of people in order to increase the salaries of a few officials by saving them loss in exchange.

*G.* I deny the sacrifice! A few landowners and merchants would perhaps have their profits curtailed, but the 250 millions would be spared taxation to the tune of six or seven millions sterling a year. We propose to restore not increase the salaries of Indian officials. You can't really suppose that their grievance is at the bottom of all the agitation, that Lancashire is in a ferment, and all traders with silver using countries deeply alarmed, because a few public servants in India are unjustly treated. The fact is that you know, and the Government knows, that the complaint of the Indian Government and India generally have a deeper root than that, and are well founded; but the Government and their advisers in the Press all prefer to sit with folded hands, trusting that something will turn up.

*W.* Didn't I hear something about a committee being appointed to look into it?

*G.* Oh, yes; one is sitting, and the Indian Government are pouring out their complaints before it, and saying "If you won't give us what we ask, and what all of us who have studied the question believe will be good for you as well as for us, give us the next best thing which will be good for us, at least in the present distress, viz.: a limitation of the coinage of the rupee, and consequent maintenance of its gold value."

*W.* What do you think of that scheme?

*G.* It would limit the present losses of the Indian Government,

and it is but natural that those who are responsible for Indian Finance should catch at any straw. It is doubtless better to lose £5,000,000 a year than £7,000,000! I suppose, also, that it would steady England's trade with India.

*H.* My doubt is whether it is defensible on principle.

*W.* And mine, whether it would answer in practice.

*G.* As to principle—The resources of vituperation fail me! The good folk who are horrified at the enormity of giving an artificial value—so they characterize it—to one portion of a country's money propose now to give an artificial value to the whole of the money of India, appreciating it by diminishing its volume!

*W.* But I am told by some that India is to have a gold standard; in which case the position will be, I take it, the same as that of France, as having an imperfect bimetallic standard. By others I am told that it is to be a gold standard without a gold currency. Why not? They say it has been successfully tried elsewhere.

*G.* I don't know where. Peru declared some years ago that her standard was to be gold, but nothing whatever came of it. You may get some traders to think and sell in shillings or pence, but that is merely a matter of convenience, and will have no economic effect at all. It is all very well so long as the balance of trade is in favour of India; but let it once turn, and you have all the economic evils of a currency whose nominal value is greater than its export value. You cannot have a "limping" standard unless you have one metal that is the true standard of the country, the other being a mere token. A gold standard without a gold currency seems to me not to limp but to be lame of both legs.

*H.* You don't like it, I see. Neither do I. But need we apprehend a turn of the balance?

*G.* I don't know—nor does anyone as yet. You say, Harrop, that Bimetallism would destroy the Indian trade with China. That trade will no longer have the vicious protection which it now enjoys at the expense of British manufactures; but Bimetallism would certainly not destroy it. An artificial value given to the rupee will do by that trade what our present law does by the English trade with the East. It will destroy the par of exchange; and so will it of course if a real gold standard should be attained.

*W.* What is the objection to a real gold standard?

*G.* Where would India get her gold? Must she have a gold loan of thirty or forty millions? or do you expect that her gold hoards will all be poured into the Treasury? Or perhaps you look to a rush of British merchants, unable to buy silver, refused Bills by

the Indian Council, having to make remittances to India, and enforced, *coute que coute*, to send gold?

*W.* Oh, I know nothing and expect nothing; but I heard that the plan was for the Council to sell Bills to all who wanted them, and thus to make the Indian currency automatic.

*G.* Very well. Then *that* source of gold is cut off. In the other cases, the very people who are so fearful of putting a temporary loss on those who would have to make their remittances in dearer silver under a Bimetallic regime, are willing to subject them to the continuous loss of having to send dearer gold. Why should we think the hoards will be poured forth? They don't now bring out their silver, though they must fear further depreciation. They have not brought forth their gold all this time, though they can buy cheap silver with it, which is still convertible into rupees, and will, under the new law, be convertible into nothing at all.

*W.* If they do bring it out, it will, I suppose, meet one of your difficulties. It will diminish the additional strain on the world's stock of gold.

*G.* Yes, so far as it goes; but whether by loan, or by any other expedient, the demand caused by the introduction of a real gold standard into India will add enormous weight to the burden of the appreciation of gold which now presses on commerce.

*H.* I doubt the Indian people won't find any advantage in it.

*G.* I should say not. Those hoards of silver are now all of them potential rupees. Think what they will be if you absolutely destroy the market for them, and the people find it out!

*W.* They will be very slow to find it out, I think.

*G.* The enemies of the British Raj will not be slow to open their eyes! Then if the United States cease their silver purchases, to what point will silver fall! The Monometallist conscience shrank from assenting to a ratio of  $15\frac{1}{2}$  to 1, when the market price was 18 to 1; and they now propose a ratio of about .22 when the market price of silver may be driven down to a ratio of 40 to 1! Truly the Monometallist gullet is an organ of very singular construction. It will swallow the largest camel, but a very small gnat will choke it! And when the eyes of the Indian are opened, and he knows that one half of his hoard is annihilated, how do you think he will like it? You were afraid, Harrop, of a mutiny in India if I should be allowed to pay you 25 double florins for the £5 I owe you. There would be indeed cause to fear it if we should be found robbing our Indian fellow-subjects!

Some Monometallists are horrified at the idea that we, "whose earnings are stored in gold," should lay sacrilegious hands on our present monetary law, and yet they look with complacency on a

change in the monetary law of India which might almost annihilate the hoarded earnings of that country, now stored chiefly in silver.

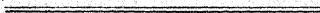
S. If the United States should buy no more, and India should close her Mint, what would be the result? Silver would get to the bottom; and things would readily, but with some delay, readjust themselves.

G. Readjust themselves! Of course they would readjust themselves! They are always readjusting themselves, and have been doing it since 1873. It is this constant readjustment that is our grievance; for it means a constant interference with the free course of trade. The element of finality is altogether wanting.

But if, when you speak of reaching the bottom, you mean reaching a point when the relative value of silver and gold would become stationary, I would ask you why it should be stationary when silver is low as measured in gold any more than when gold is low as measured in silver? Why in the world should silver then become steadier than copper or castor oil? Of course, if the production of silver should cease, one cause which might disturb the relative value would be eliminated; but you would still have fluctuations in the supply and demand for gold, and also in the demand for silver; and as the supply of silver, if it continued, would be as likely as not to counteract one of the other three disturbing causes, its cessation might have done at least as much harm as good; and in no case would you have got a step nearer to the Par of Exchange.

H. Well, I should like to look into this Indian matter. That must be enough for to-day, as far as I am concerned. I want to come to the direct interests of England. I have a formidable indictment against you on that head. Can we have it out on Monday next?

G. Yes, that will suit us all.



## FOURTH DAY.

England the Creditor State.

Prices.

Who would suffer from Bimetallism.

Bankers.

Wages.

Protection.

Manufacturers. Agriculturists.

What if Bimetallism broke down?

Independence of England.

*G.* Glad to see you all again. I think, Harrop, you had a rod in pickle for me?

*H.* Yes; when we left off yesterday I was bringing you to the question of our own direct interests. We are the great Creditor State—That is my point—and all others are our debtors. Are we to place it in their power to pay us thousands of millions in inferior values?

*G.* I don't know what you mean by your "thousands of millions"; but I deny that silver will be in the least degree inferior to gold at the legal ratio, and I think I have shown this. If you had said that our gold money would be in some slight degree depreciated by the change, there might be something in your argument, but not much. Whatever depreciation there might be, it would be as nothing compared to the stimulus given to British commerce, not only directly with silver-using countries, but indirectly in the general improvement of trade. What is the trifling amount of gold money annually payable to us compared to improvement in a trade representing £750,000,000 per annum of exports and imports?

*W.* Do let me understand this. Who is it that is to be hurt, and how will he be hurt?

*H.* By the rise of prices, obviously. He can now buy cheap, and he will have to buy dear.

*G.* But the question is *who* would be hurt? You have not

answered that. I think I can lead up to the answer. To say that the State is damnified is a very vague allegation. The hurting must be done piecemeal. Some citizen must suffer. How? That which has to be paid to England is the balance of her imports and exports. What other nations owe us they must pay us—with goods so far as they can; and what they can't they must pay in specie. That specie you may say is not as good as the gold in which they pay now. It has been shown that it is impossible that the silver half of it can have less purchasing power than the gold half; but I admit, as I said just now, that there will be a diminution of purchasing power in the mass of specie, *i.e.*, that prices will rise. I return to the three causes of the fall. Unless abundance of commodities ceases, prices will not rise on that score. They can then only rise either from relief of the paralysis of trade, or from depreciation of the measure of value. You will not deprecate a rise from the first of these two causes; and as to the second, any possible harm from a rise caused by it will be amply compensated.

*W.* You have not yet told us about the particular sufferers.

*G.* No, I have left the way open for you to talk of them.

*H.* Well, then, how will the working man like such rise as there may be?

*G.* I was going on, when you interrupted me, to say that among the commodities so raised in price will naturally be that most important commodity, labour.

Any apparent advantage to the labourer or to any one by the temporary cheapness produced by the contraction of the measure of value is a mere killing of the goose that lays the golden eggs. Trade losses and extinction of British capital must assuredly react on the British working man, and hurt him far more than any small rise of prices of commodities can do, supposing such rise to reach him; such rise being produced by that which puts bread into the mouths of an increased number of his fellows.

*H.* Then there is the mortgagee; and the owner of fixed income generally, whether derived from Consols, from Railways, from Foreign dividends, or Official Salaries.

*W.* Railway dividends, did you say, Harrop? That won't do! They are by no means fixed incomes. I wish they were: I am a Railway Director myself, and know something of that matter.

*H.* I spoke of Railway Debenture interest, and dividends on Preference Shares.

*W.* Of course they are more stable than dividends of Ordinary Shares; but what is it that affects the last?—I speak, of course, of Railroads whose prosperity is possible—it is the Trade of the

Country. When that is good, Shareholders get good dividends. When it is bad, dividends dwindle. Even Preference Shareholders shake in their shoes, and sometimes even go barefoot. When they do, Debenture holders also begin to tremble. *Their* security is only the prosperity of the Line, and the prosperity of the Line depends upon Trade. Debenture holders are now living in fear of a steady course of diminution of their security; and so are Mortgagees, for the matter of that; and all the worse because that on which they depend is in a worse case.

G. We are the Creditor State, sure enough; and a great part of the Balance of Trade which comes to us is the Interest on Loans to Foreign States. They pay us in cheap goods, or dear gold. It is all one to us, but not to them. The prices of their commodities fall away as we have seen. The cheaper the goods, the more they must send. When they can send no more, they must send us gold, for which they may have to pay 100 or 200 per cent premium. At last they can send no more, whether goods or gold; and they cease to pay at all. You have taken your debtor by the throat, but instead of getting his money you have stopped his breath! A poor result of appreciating gold (so far as that has been the cause) for the supposed benefit of those who were to receive dividends. Payment even in depreciated metal is better than no payment at all.

W. A sorry picture. The whole question depends, does it not, on the assertion that the demonetisation of silver, and consequent appreciation of gold, affects trade adversely?

G. To be sure it does; and unless anyone is prepared to deny that a period of falling prices, lasting already fifteen years, does adversely affect trade, it must certainly affect adversely all railroad securities; and the falling off in dividends in the case of individual shareholders, and the diminution of the security on which debenture-holders and mortgagees have to rely, are very poorly compensated by any ill-defined gain which a general appreciation of the measures of value may possibly be giving to private individuals.

A tendency to a rise of price, stimulating, and kept in check by, increased production of the commodities affected, is a characteristic of healthy trade. A continuous and long persisting fall in price is a note of decay; synonymous, as Hume said, with poverty, beggary, and sloth.

H. The fixed incomes are now virtually paid in gold, or, in other words, represent commodities now purchasable at gold prices.

G. It is true that the events of 1873 gave them an advantage for which they never bargained. They have been quite justly entitled to this unearned increment all this while; but they are not entitled to demand that the mortgagor, and the State or

person who pays the fixed income, shall not, in his turn, have the chance which fortunate legislation adopted for the general good may give him.

*H.* You say you are pleading the cause of Commerce. It appears to me that you will find the generality of bankers, who are certainly a potent factor in England's commerce, in the opposite camp.

*G.* Probably they also may suffer in some slight degree. Our protective policy has hitherto given them an advantage; and no doubt when it is withdrawn they will feel it, and will cry out—at the Conference and elsewhere. But what then? Commerce does not begin and end in Lombard Street. The banks are but the handmaids of commerce, very useful ones, I allow.

*H.* You will find Lombard Street a very important power in the matter.

*G.* I *have* found it—more's the pity! They believe that they would lose by the change: I don't. They think they gain by the present condition; but it would be difficult for them to show it in plain figures in their profit and loss account. I have no doubt they lose by it. A 2% or 2½% discount rate suits no banker; and such a rate is, I repeat, an indication of depressed trade. Bankers live by the prosperity of their customers, and a restoration of that prosperity would be an increase of prosperity to them. However, Lombard Street has chosen to put itself shoulder to shoulder with the men who live on their interest, and toil not, neither do they spin. No doubt they will fight, and fight strongly, for their own hand. I am sorry that too many of our statesmen take their orders from them, and elect to support the drones against the working bees. I am for the working bees; and I shall win.

But amongst those working bees is the English cultivator; and you say we should hurt him also, in company with all other English consumers.

*H.* And the manufacturer!

*G.* I'll come to his specific case presently: we are now talking of the general case of the consumers. No doubt those who like things cheap are more in number than those (if any such there be) who like things dear, and they have the power in their hands. But in that power-holding class there is enough intelligence to know that it is of no avail to have things cheap, if they have not wherewithal to buy them. To use your sixpenny illustration. It is bad if a man has to pay sixpence a week more for the bread of his family, but worse if that which helps him not to have to pay it is the cause of his earning a shilling a week less wages; worse still if it helps also to throw him out of work and to have no wages at all.

W. No doubt ; but still that matter of the wage-earner puzzles me. You say that he cries out ; and I dare say he does ; but surely you won't say that he would not be hurt by a rise in the price of commodities—say of bread ?

G. Of course he would ; and of beer, and of all food, and of shoes and coats and shirts, and everything else. So should we all, even the contemned producer, who is as much a consumer as any of us. It is all a question of *how much* the wage-earner will feel the hurt. And first comes the question, whether a small rise in the price of commodities will ever reach him at all ? Next comes the question, whether, if it did reach him, he would be the worse for it ? Harrop says the consumer wants things cheap, and that the wage-earning class are the majority of consumers. So they are. He scoffs also at the producer ; but he forgets that the wage-earning class are the majority of producers also, and that as production diminishes their earning-power decreases. The man whose wages fall off would be willing to see commodities dearer, if only his wages were higher. The man who earns no wages at all takes mighty little interest in the price of bread. Your good intentions, Harrop, send him to the work-house, where others have to feed him.

H. But I say again, the wage-fund has not diminished, nor has the cheapness of commodities materially lowered the rate of wages.

G. I have never heard any one say that it had ; but on the question whether the rate had fallen there was a conflict of evidence before the Royal Commission on Trade. There would be none now, even though for certain skilled workmen the rate still keeps up. What else is the cause of the strikes of which we hear so much now-a-days ? The rate argument is delusive ; for we must also consider whether as many of a family are employed as formerly.

H. That may be ; but how about the wage-fund ?

G. Cheapness of commodities could not reduce it ; but the cause, or rather one of the causes, which has made them cheap has reduced it. You think it is not reduced, but, even if I could admit that, I should still contend that the industrious classes would have been *better* off, than you say they are, if they were not thus handicapped, and if the medium of commerce were put on a better footing. I won't here try to decide the point between rival economists, and settle whether there is or is not such a thing as a wage fund ; but of this I am quite sure, that if a farmer or manufacturer can't make both ends meet, he must reduce either wages or men. In this year of grace, 1892, he is reducing both.

S. I have heard that the men actually employed get the same or even higher wages than they used to do.

G. Well, you all three seem agreed that wages had not been reduced, and, that if they had been, the rise in the purchasing power of money more than compensates. But both statements are against the great weight of evidence before both the Royal Commission on Depression of Trade, and that on Gold and Silver. Read Mr. Fielden's evidence before the latter, as yet uncontradicted.

We learnt in those Commissions that though in some special trades wages had not fallen at all, and though in most trades the *rate* of wages had not fallen, yet the whole amount paid had very greatly fallen; also that, except perhaps in the case of bread, the fall of price had not penetrated, or had scarcely penetrated, to the retail trade. To prove wages have not fallen, it is not sufficient to say that Brown, Jones, and Robinson are in receipt of as high or higher wages than before, if by the same movement Smith, Wilson, and Taylor are turned out of employment.

H. Your wage-argument is the old Protectionist one. The wage-fund grows, and is growing, out of savings—that is, out of increased wealth; and I believe that wages have actually risen.

G. It *is* the old Protectionist argument, more or less; it may have been wrong then, but right now. The savings, I suspect, come from idle capital, not from industry. Wages, for reasons quite independent of the currency, have been rising in proportion to work ever since 1846. But as far as they depend on currency they have fallen since 1873. By wages I mean those of men employed in what is called reproductive labour—that is, in the production of commodities useful to the world, not footmen or grooms, or such-like unproductive beings.

H. Gladstone once thought Bimetallism was only a phase of Protection?

G. Well, I should rather call it a removal of that Protection which, as a consequence of our own otherwise beneficent legislation of 1816—19, was given to our Indian fellow-subjects, and to the holders of gold, when the counteracting force of the then existing fixed ratio was removed by the foreign legislation of 1873. As to the Indians, I say again you must make up your minds. Either they are protected by that legislation, or they are not. If they are, you should advocate the removal of that protection, in the name of Freedom of Trade. If they are not, they will obviously take no harm by the reversal of the legislation of 1816. That legislation and its opposite cannot *both* be Protection. Neither does it lie in our opponents' mouths to raise the cry of Protection! Their own cry for their own behoof, so far as they are owners of fixed incomes or dealers in money, is Protect our Gold! For God's sake protect our gold!

*H.* You say the Gold-owners and the producers in India are alike protected. It must be then at the expense of somebody else. At whose?

*G.* I suppose the Cobden Club would say, "at the expense of everybody else." Certainly the same thing which protects some of the Indian producers taxes the whole country to the tune of £6,000,000 or £7,000,000. But beyond that, it is at the expense of the English agriculturist; for the Indian wheat-grower, for instance, gains at the low gold price the same profit which he gained before the price fell; while the English wheat-grower can't grow his crop at that price, except at a loss. Where *he* ceases to grow wheat the Indian wheat-grower steps in.

*H.* Are you quite sure that it is India that hurts the English farmer? I should say it is not India, but America that interfered with him.

*G.* India interferes both with England and America. The lower the price in England, the worse the return to the American shipper, and the fewer dollars he receives. The Indian, on the other hand, as I have said before, gets none the fewer rupees, and the rupee buys him the same quantity of the necessaries of life. It is India, therefore, that rules the price, so long as she has surplus wheat to sell for export, because the Indian can afford to sell cheapest, and the cheapest import, so long as it continues, dictates the price.

*H.* You have now to come to the manufacturers, as you promised.

*G.* Well, now for the manufacturer. Your argument is in essence that of Mongredien, which may be thus condensed—The greatest blessing that England can have is a disastrous harvest. *Then* we have to buy great quantities of wheat from India, and, thank God, we have to pay for them! and our payment is in our manufactured goods. Thus our exports and imports swell, the volume of trade increases, and our prosperity advances by leaps and bounds!

*H.* You put it quaintly, but that is more or less what I mean.

*G.* It is true that the *volume* of trade affects the wage-earning class immediately; but it is also true that in the long run, and that not a very long run, the loss of profit on capital, of which you speak, and the loss of capital, of which you don't speak, but which extends farther than you know or are likely to know till you possess a mill or a farm of your own, affects the working classes more than any other class.

*S.* But you don't mean to tell me that a manufacturer will go on year after year working at a loss?

*H.* And you don't mean to tell me that the working-man is

the real sufferer? He must gain, for he at any rate earns his daily bread.

*G.* We'll take the masters first (with apologies to *our* masters, the men). Try it yourselves. Fancy yourselves owners of a mill on which you had laid out £100,000, and on which you expect 5 per cent interest and a profit. What will you do if on any 31st December you find no interest earned, and £5000 to the debit of profit and loss?

*S.* Hope for better times.

*G.* Quite so; and if there is £10,000 to debit of profit and loss the next year? and the next? and so on?

*S.* Of course a time must come when one gives up the game.

*H.* When that becomes imminent, you retire and sell your mill?

*G.* Exactly; and realize your loss. But for *that* a buyer is necessary; and when you have found him you propose to put him into your shoes, and set him to slide down the same inclined plane on which you yourself were placed. What does it signify to the country whether you or Jones own the mill? You have made the loss; and English trade is the loser. Jones would lose less, perhaps, but it might be only because he had less to lose, having paid you what you appeared to have remaining to the credit of capital, minus a heavy discount for the risk.

*H.* But you may close your mill?

*G.* People cannot close their businesses; farmers, traders, manufacturers, never do so in real life till their business closes them. They may at any time abandon—*i.e.*, make a total loss; or they may shut up for a time, lose interest on the crumbs of capital which remain, and hold on with a hope—perhaps a vain hope—that times will mend. Now this is what has happened, and is happening to farmers all over the country. They have lightened the ship from time to time by throwing overboard one or two labourers, but they have only postponed the evil day. Their capital has melted away, and they are left lamenting.

*W.* But the labourers find employment with a new tenant, or with the landlord himself if he cannot let his land, so *they* do well.

*G.* Yes, the residue of them. They are, so far, better off than the mill hands. The master of these leaves off, perhaps when he has lost two-thirds of his capital, and lives in comparative poverty. The man loses his daily bread, and starves.

The masters know it now, ask the members for Manchester—ask Mr. Fielden, who has been both man and master; and the men won't be slow to know it, indeed large numbers know it already; and, as

you say, the *argumentum ventriculosum* will have more weight than any scientific argument.

*H.* That is all very well ; but why do the number of cotton factories increase every year, and why is new capital put into the business ?

*G.* This is the story of Charles II. and the Royal Society over again. The answer is, that they don't increase ; and new capital isn't put in, unless as I suggested just now.

*H.* But let us hear about the Farmers. Landlords, no doubt, feel the present state of things in the lowering of their rents, particularly if their estates are heavily mortgaged. But how do their tenants suffer ? Rents are reduced ; Tithe Rent charge reduced ; wages, you say, reduced ; prices on all they have to buy gone down ; Local Taxation and Income Tax follow Rents. I don't see that they are hurt.

*G.* *They* do, and not only see it but feel it ! My dear friend, if all your statements were accurate, and if the reductions on the one hand and the low prices of farm produce precisely synchronized, they might live. But they don't synchronize, and there is plenty of time in the interim for the farmer to be ruined. As a matter of fact, they are failing all over the country, and in many places they would fail if they had the land for nothing. Morley's "golden grain" refuses to "wave over" Essex clays, and the land goes out of cultivation. How do you account for it, if not in my way ?

*H.* Improvidence, I suppose.

*G.* They are not more improvident now than they were in 1870. Your reductions are very doubtful. *You* say wages are *not* reduced. Rating follows rents, but rates do not. You mention the landlords' mortgages. Are not tenants also working on borrowed money ? *They* have to pay their interest as well as the landlord has to pay his. If he can't, he fails. Not all those other things which you think are reduced have had any reduction. Railway fares and freights rather increase than diminish ; drink and smoke cost as before ; bread, if reduced at all, has not been reduced in proportion. All contributions to clubs, unions, &c., which are now-a-days deemed a necessity, stand at their old cost : re-adjustment is always coming, but does not come, or comes too late.

*H.* Supposing all this to be true, yet your remedy may be worse than the disease.

*G.* It may, but I find no trustworthy evidence that it would be. Smail, I remember, said that "admitting the grievance, admitting the efficacy of the remedy, it might be unwise to use it." He seems rather to incline to the idea, "Surely all is for the best in

this best of all possible worlds." "Leave well alone!" Quite right, if it *is* well.

S. It is true that that in some degree expresses my views. I meant also to intimate that the remedy might be worse than the disease. You will not contend that there are no difficulties in the way?

G. Certainly not. The difficulties are of three sorts. One (initial) the portentous prejudices of the press (which far transcend those of certain cultivated friends of mine); another, problematical, the dangers of the transition period; and a third, which greatly affects the second, the ratio.

We may leave the first to stew in its own juice; but the second is very important. It is, like the ratio, one of the things which must be left to the Conference of the Powers, when it is called, to examine.

H. When it is called!

G. Too late in the discussion for such an ejaculation, my dear Harrop; you must surely be instructed enough by this time to know that it *will* be called; that it is only a question of time, and that a short time.\* That an agreement will be reached need not be doubted; but what will be the exact platform on which they will agree can scarcely be predicted with such certainty. We hear a good deal of the great dislocation and great distress which would be produced by the change. It would be most useful if some one on the monometallist side would give us chapter and verse for the dislocation; an exact description with instances, instead of vague vaticinations.

H. Vaticinations are necessarily vague. I should like to hazard one. If an agreement is come to, a ratio agreed on, and a treaty made, it will not be long before it is either broken up by common consent, or thrown into confusion by the secession of one or more of the Powers. Where will you be then?

G. That is a question for *you* to answer. I know that your prophet does not like to be asked to condescend to particulars; but I should like you to tell me precisely what it is that you think might possibly occur, and what harm could happen to anybody if it did.

H. Nothing, I suppose, if it was dissolved by mutual consent; yet I should like to know, even then, what we should do with our stocks of silver.

\*Note to Second Edition. This is no longer in the list of unfulfilled prophecies. We are assured that nothing will come of it. Probably no agreement will be reached, at least, in the first sessions; but it will not be long before the dangers of *not* coming to an agreement will be clearly seen.—November 22.

G. I really think it is hardly worth discussing ; for no one has ever suggested an inducement for such a foolish act. We should, however, all be in the same case as that in which France and Germany are now ; our silver (or gold) money becoming tokens, and our relations with gold (or silver) monometallic countries returning to the inconvenient condition in which we now are as respects our commerce with China, Mexico, and other silver-using countries.

S. Gold as a token currency ! You surely don't think that possible ?

G. Why not ? All things are possible to human folly ! We have proscribed the money of the greater part of mankind ; why not that of the lesser ? It would be a monstrous absurdity, no doubt ; but so was our action in 1816 ; and so would be the abandonment which we are discussing ; and we must all the more treat it as possible. Some new Chevalier, frightened by the golden torrents from Africa, and dreading a new deluge, may persuade us all that gold is a discredited metal and unfit to be used as money.

S. Did Chevalier propose that ? It would be a curious speculation to work out the probable market price of gold at this time, if we had followed his advice.

G. It is a useless metal, except for money and small ornaments ! But, go on with your catechism, Harrop.

H. What then if France should close her Mints, as she has done before ? That would pull down the whole fabric, would it not, as it did in 1873-6 ?

G. There was no fabric, such as I hope may be built up before long, which the action of France in 1873 could have pulled down ; nor is it likely, looking to the warnings of that time, that like causes would arise to produce the effects. We do not expect to hear of a vast war indemnity, payable in gold, of the victorious nation demonetizing the whole of its money, and pouring the demonetized metal into the only available Mint, the machinery of which, was, as might be expected, unequal to so great a strain.

H. That then is your explanation of the break down, as I call it in 1873 ?

G. Yes ; in 1873, as I told you before, £80,000,000 of silver was hanging over their Mint *in terrorem* ; but £80,000,000 of silver was not enough to break down the ratio, it could not do what a much greater quantity of gold failed to do 15 or 20 years before. It was the sources from whence it came that affected them. It was the Enemy, Germany, that was beginning to pour in the eighty millions. France was glad enough to put a spoke in her

wheel, and say, You shall not have any help from us at any rate. The move was, I should say, rather political than financial.

*H.* I think it was always breaking down before, if it did not then. How was it that in 1852 the railway clerks at Marseilles and the commissionaires fought for the gold pieces with which I paid my fare? Because there was an agio on gold, and so heavy a one, that a gold piece was an unknown commodity in France. Silver had driven out gold. Was not that a breakdown of the ratio, and destructive of the bimetallic theory?

*G.* An unknown commodity! You mean that gold was scarcer; but there was an agio on it, and you can't have an agio on a non-existent substance. I have before explained why gold went, and you will also find in the evidence before the Commission, what your heavy agio was—3 per mille in June, and 1 per mille in December, 1852. It had been 2 % at the highest in former years, but only for a few days three times in half a century. The agio was an acknowledgment by the payee that the bimetallic law was in full force, and that the payer had a right to pay him in silver if he pleased. The choice belonged to the debtor, and the creditor, to gain his private ends, bought it of him. A breakdown of the ratio! You might as well say if you build a bridge and exact a toll, that the toll is an evidence of the breakdown of your proprietorial rights, whereas, it is a proof of their existence.

*H.* I understand that; but could not the troubles consequent upon such a war as that between France and Germany happen again, and make a quick end of your international agreement?

*G.* By the hypothesis there would be no nation having its money of one metal only; and if any nation demonetized either metal, there would be many Mints open to receive it without undue burden on their powers.

*H.* But apart from the effects of victory, might not war, or expected war, break it all up? A nation might suspend cash payments.

*G.* So it might. And so, indeed, it might now without waiting for bimetallicism. Its specie would gradually find its way to other countries, the law still remaining intact and the Mint open. The influx of specie into other nations would obviously affect them less if their monetary system was bimetallic than if it was monometallic.

*H.* But it might close its Mint also.

*G.* With what object? Cash payments being suspended, where would be found a man, native or foreign, who would send either metal to the Mint? Or, if you like to suppose a closure of the Mint without suspension of cash payment, then the closing of the Mint, say to silver, would be a fatuous resolve to prevent the metal most

necessary in time of war from entering the country. The most ignorant Government would hardly commit such a folly as that. Of this you may be sure—the collection of gold as a war fund, or for other purposes, is far more easy now than it would be were our ancient law re-enacted.

*H.* I can't say that I am wholly re-assured. A monetary treaty makes our currency system more or less dependent on other nations; and I venture to think that our boast ought to be that England should be in partnership with no other nation, but in her currency laws, as in all things, should be absolutely independent.

*G.* Ah, that boast is Harcourt's. I remember the fallacy in his speech in Parliament, and I wonder that no one corrected him at the time. In the first place, under a bimetallic accord between nations, England would not be dependent on others, but all would be interdependent one on another. In the next, if there is to be partnership of any sort, I should prefer, and I think you would also, that England should have some voice in the business of the firm. As matters now stand she has none; and the currency system of her empire is liable to be put out of gear by the independent acts of foreign nations.

*W.* How do you make out that?

*G.* From 1816 to 1873 the monetary system of France kept the standard money of India safe from any fluctuation in its gold price beyond what is necessarily caused by the balance of trade, and maintained for the trade of England with silver-using countries an approximate par of exchange. In 1872, the action of Germany gave rise to the dislocation of the whole system, a dislocation which was finally effected by France in 1873-6. Scandinavia follows the example of Germany. Italy resumes cash payments, taking 16 millions in gold, increasing the mischief, and helping to entail grievous losses on the Indian Government and people, and on English commerce. In 1878, the United States decreed the purchase of large quantities of silver per month, and in 1890 they more than doubled the amount, causing by this last measure a rapid rise of price in London from 42½d. to 54½d. Then came an adverse speech from the President in 1885, and the price went down 1d. an ounce. In 1890 the new law sent it up 20%; not long after which a rapid fall began and has steadily continued till now, with no small disturbance to our commerce and loss to India. All these things affected England's monetary system; she was powerless to prevent or to defend herself against them. In sight of this it is absurd to talk of our being independent in our monetary policy. England has not a tide of its own, nor a private cavern of the winds, neither is it possible that she can stand

isolated and unaffected by the actions of the rest of the world under the influence of their own monetary laws. Such independence is but slavery; and a desire for it can only spring from ignorance of the historical facts of the case.

*H.* Yes; I see that India is dependent on other nations, and that her currency has fluctuated, at all events as measured in gold; and I suppose you would wish me to infer that, though we don't see it so plainly, yet that England's currency fluctuates for the same reasons.

*G.* Precisely. You have measured things so long by gold that you have come to think that gold is a fixed value round which all other commodities revolve; and, consequently, you think when silver goes down in terms of gold that it has depreciated in value, and you think the Indian foolish and ignorant if he looks on his standard as you look on yours, and if he looks on your standard as a fluctuating commodity, just as you look on his.

*You* see that when the United States increase their demand for silver, silver rises in value; *he* sees that when Germany or Austria demand gold, gold rises in value; but neither of you can understand the possibility of his own standard fluctuating.

*H.* You make a good fight for your position, anyhow.

*S.* If we had time, I should like to discuss the probable effects of such a change as you advocate; but we must defer it to another day, if you can give us one.

*W.* I shall, I think, have a good many questions to ask on that head, and I should like to think them out meanwhile.

*G.* I shall be glad to hear them, and answer them if I can. Will Wednesday do? Come and dine with me, and we'll finish our battle after dinner.

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## FIFTH DAY.

Disastrous effects of a change.

Injury to Creditors. Consequent Crash.

Inconvenience of Silver Currency.

Depreciation of Mass of Currency.

Bankers.

Locke, Newton, Huskisson, Wellington, Attwood, Herries,

Gladstone, Harcourt, Macleod, Harris, Petty, Liverpool, Peel.

Only in England Gold to be had for asking.

Causes of England's prosperity.

Gold fittest for a great nation.

War.

Council Bills.

Latin Union.

Ratio.

G. Now Smail—our dinner is done, our knives and forks have played their bimetallic parts, and we can resume our hostilities. You and White have, I think, some guns in position. Fire away.

S. Let me open fire. *You* alleged, just now, dislocation and distress as a consequence of the change in 1873; would there not be of necessity the same effect, but in part on other interests, if there were a change in 1893?

G. Not necessarily. Any sudden change would no doubt hurt somebody, but the hurt would, I think, be over a narrow area, and of short duration. The change of 1873 was the unmooring of the vessel of commerce, and the good ship has been ever since drifting through dangerous waters towards the rocks. The supposed change of 1893 will have an opposite effect, for though prices will not and cannot be fixed, the par of exchange will be fixed permanently. The thing to devise is how, by adopting a more or less distant date, to prevent any untoward suddenness. After all the only loss, as I have said before, would be on transactions extending over the first three or four months at most. In any case you would find that those on whom the loss would fall would be the most anxious for the reform, as giving stability to the exchange.

H. I will quote a sentence which I took down from one of the papers: "They would find some difficulty in dealing with the case of the creditor who, having lent his money when the market ratio was 1 to 20 was suddenly compelled to receive payment at a ratio of 1 to 18. This would be simply confiscation, plunder of 10 per cent of his property, and would give a shock to credit of the most ruinous kind."

G. If there were an enormous inflation of the currency, or anything equivalent to a debasement of it, there might be *some* sense in this, though the calculation is ridiculous. As it is, it is mere nonsense. I should like to cross-examine the gentleman.

I would ask him to "make the entries" and show me the ruinous loss in business-like fashion. Let us suppose that he lends 100 sovereigns (which he doesn't—he lends one of your banking expedients, Smal, an order on his bankers for £100 sterling); a bimetallic law is passed, and he receives or might receive 1000 full-weight florins (but he doesn't, being content with a like order on the borrower's banker for £100 sterling). All experience shows that if he did receive the florins they would not only serve to pay his bills, and to buy his commodities, as favourably as the sovereigns would, but that unless he wanted them for export, he would never be aware that there had been a change in the law, and if he did so want them he would feel no hurt.

W. What disquiets me is that if you had your way we should be driven out of our accustomed paths in the transactions of daily life, in so far as money was concerned. For as we are now able to walk about with three or four sovereigns (if we have got such things) in our pockets, and eight or ten shillings in token silver, we shall then have huge silver crowns, or at least double-florin pieces thrust upon us, and shall have to carry them about to pay our small debts.

G. I don't believe in any such consequence of the measure. Englishmen would pay their debts as heretofore with cheques, and with the two metals used as small change. Those nations which have been accustomed to use silver would chiefly use silver, and those accustomed to gold would use gold. In fact, the change brought about by the adoption of the dual legal tender would, as Foxwell says, be no more felt in our ordinary monetary transactions than the earth's motion on its axis is felt in our ordinary life.

W. Have we not heard, also, of another consequence of your law, carrying with it a shock to credit greater and more formidable than that suggested by Harrop's newspaper man? It is said, I think, that the very introduction of a Bill for a dual legal tender would be immediately followed by such a financial crash as the world had never seen. I could not follow his reasoning, nor conceive such a course of events. The whole thing reads more like an account of a nightmare than a serious forecast. That, however, is as likely as not to be my own want of apprehension. What do you say to it? Every creditor, we are told, would call in his debts at once; all the £600,000,000 banking liabilities would have to be paid over at once, and the result would be universal bankruptcy.

G. I am sure the inventor of that scare did not follow out his own reasoning carefully. He must have written *currente calamo*, copying, perhaps, without examination, the wild arguments of the debate of 1830, and never stopping to think how far his calamities were within the bounds of possibility. Not only is there a fallacy lurking under his £600,000,000 liabilities, but we may well ask what record there is of a financial crash in 1797, when the suspension of cash payments was imminent. Did every creditor in England (including those who owed more than was owed to them) at once rush to call in their debts? Very likely some did, and not without some good reason; but the commercial world did not come to an end.

H. Why had they better reason for alarm than the creditors of the present day in the case supposed?

G. The creditors of 1893 would have to receive a metal which by the hypothesis was to be recognized as money practically over the whole world; but the creditors of 1797 were to receive paper which no one out of England would recognize. Neither have I read that any very disastrous consequences ensued in 1816—19 from a wild rush of debtors to pay their debts when they learned that they would have to pay them later on in an appreciated money. None of them liked it, I daresay; but universal bankruptcy was still far off! Just see the difference! The motive cause of the sudden madness which is to seize all creditors so soon as the Bill is brought in, or read a second time, is that the ounce of gold due to each might be paid him in 20, 18, or even  $15\frac{1}{2}$  ounces of silver; though the market price of that metal were 21 to 1 of gold.

W. Where is the fallacy? There must be a fallacy, of course.

G. How is creditor A. damnified? He could buy, he says, 21 ounces of silver for 77s.  $10\frac{1}{2}$ d. You pay him, he cries, only  $15\frac{1}{2}$ . Well—with those  $15\frac{1}{2}$  the law would give him at the Mint his 77s.  $10\frac{1}{2}$ d. again. But *could* he buy 21 ounces for that sum? You must see, that the same Bill, the perusal of which would inform him that his debtor B. might pay him a debt of £1 with  $15\frac{1}{2}$  ounces of silver, would inform C., from whom he might propose to buy the silver in order to deliver it, that he could send it into the Mint, and get 5s. an ounce for it. Part of the stock-in-trade of a monometallist disputant would appear to be the belief that all holders of silver, and, indeed, of commodities in general, are idiots. But you may depend upon it, neither they nor the rest of the Trade of London will be so complaisant as to lose their heads in order to point a moral for the Monometallists.

W. Please don't think that I adopt his argument; nor this other, which seems to be based on the same low estimate of the brains of other people. We are told by some scribe that the first thing that

would happen would be a rush to buy up silver, and make a profit of 18d. or 2s. an ounce.

G. Where will the seller be found? They forget that they have to count with that personage.

S. Tell us what *would* happen?

G. One lunatic would withdraw his balance from his bankers; but seeing that no one followed his example, he would pay it in again in the afternoon, and the crash would be averted.

S. Is that all?

G. That is all that would take place on the lines which White indicated, but there would, no doubt, be some losses suffered, springing, not from imaginary panic, but from the extra cost of such remittances as might have to be made to India in the first three or four months, for the liquidation of current transactions. All new transactions would have to be made on the new basis, and would be adjusted accordingly.

S. But have we a right to mulct even these people?

G. We did not stop to ask that question in 1797 and 1819. We considered only what was for the good of the nation, and did it. You can't make any change in the monetary laws of a country without hurting somebody; but *salus populi suprema lex*.

You can well gauge the extent of the loss which some might suffer, by looking at what, as I told you just now, has happened within the last two years in the United States. The effect produced by the rapid falls and rises, consequent on their policy, is the same, though differing in degree, and sometimes in direction, as that which would be produced by a rise in the price of silver consequent upon a Bimetallic agreement between the nations, which should fix the ratio between the two precious metals much higher than the present market price.

W. If I understand it rightly, there would be one most important difference, viz.: That this last would be done once for all, and that it would be momentary. The others might be repeated indefinitely—indeed, every moment.

G. You have hit it, exactly.

S. You said a little while ago, in answer to Harrop, that the man paid in full-weight florins would find that they would buy just what the gold did, and that he would not be hurt. But you have admitted that there might be a rise of prices?

G. So there might; but as I have explained before, it is impossible to assess the precise amount of the rise that would spring from whatever addition there might be to the metallic measure.

*W.* Can't you give a guess at the increase of the measure of value if the old law were re-enacted?

*G.* No! not unless I could tell the total amount of production of both metals in future years, and compare it with wear and tear and the needs of an increasing population.

There is, as I have said before, very little *idle* silver not now used as money.

*H.* Except the Indian hoards.

*G.* They hoard gold also. I think we must leave that Eastern propensity out of the account.

*S.* Those hoards, I suppose, form part of the quantity of money in the world, and operate to some extent on prices.

*G.* Certainly. They are potential money, and, indeed, are constantly contributing to the sum of actual money.

*S.* They are sometimes said to be 'put back into the mines.'

*G.* So they are; with this difference, that those mines can be worked, and will yield, at pleasure.

*W.* Some of your opponents find no difficulty in telling us exactly what the rise in gold prices will be. I read a pamphlet the other day, the writer of which asserted that the value of the sovereign would be reduced to 12s. 6d.

*G.* There would be no gold price at all; but let that pass. 12s. 6d. reckoned in what? In the pound sterling of the joint standard, I suppose. That is to say, he thinks that the pound sterling under the re-enacted law would be worth no more than 77.05 grains of standard gold! I wonder how he gets his figures. I suppose he takes the price of silver of the day, assumes its increase to 60d., and thus solves his arithmetical puzzle. A very rough and ready calculation; liable to be upset by any change in the present market price of silver, and sure to be utterly destroyed by the proclamation of his assumed "Mint price." But now, as to his economical puzzle. He must mean, of course, that a sovereign would thenceforward buy no more than 12s. 6d. used to buy. Why? Either he must admit the quantitative theory, which would lead one to expect some indefinite rise, or else he must maintain that the re-enactment of the old law was the one thing needful for the restoration of trade. But for such a precise calculation under the quantitative theory, he should at least be able to predict the exact increase, present and future, of the money of the world.

*W.* I suppose he was talking nonsense; that's all—talking, as many of us do, about things that he doesn't understand. I wish we could cross-examine him.

G. We should ask him whether he himself, for instance, would be willing to give a cheque for £1, for what he can now buy for 12s. 6d. ; and what should induce him to be willing to do so. If *he* would not, why should anyone? We should further ask him to explain the steps by which an increase in the measure of value made prices rise.

W. I don't think you would get much out of him. How do you explain it yourself?

G. It can only come by the enrichment of individuals. When a "flood" of money metal is poured out, the mine-owner (whether lessor, lessee, or neither) the miner, the digger, finds himself a wealthy man ; he buys more, and gives more for what he buys, and thus a share of his newly-acquired wealth passes into other hands, who also buy more, and pay more for what they buy ; and this process spreads by slow degrees all over the world. If prices rise suddenly, or less gradually, in any land other than the land which produces the great addition to the money metal of the world, it is less owing to the quantity of the measure than to the stimulus given to trade.

S. But there must be some idle silver ; *i.e.*, metal not at this moment used as money, and therefore liable to be added to the measure of value if the mints were opened ?

G. The only silver that any one can suppose to be *idle* is the "official stock" in New York, and that which is either on the way from the mines or in temporary deposit with bankers. The first amounted to 7,000,000 ounces two or three years ago, and is now 511,000.\*

H. That may be all very true, but people won't believe you. They will think you are giving an artificial and transient value to silver, and they will defeat you by making special contracts to pay and be paid in gold.

G. Why should they not, if they like, and if they can? You said, or Smail did, that that was what happened in the eighteenth century. It was not so, as I have showed you ; but if it had been, I fail to see either defeat or harm. Gold, very likely, would prevail in England—for pocket-money and till-money—because we are accustomed to it ; not because Englishmen would care to contract themselves out of the law and oblige their buyers to pay in gold. That is the vainest of all vain imaginations. Did you ever hear of such a thing in France? Did you ever hear of a bill being drawn on a bimetallic country payable in gold only. I trow not.

H. I can't say I did ; but I am informed by a high American authority that it has, no longer ago than 1888 and probably since,

\*Now only 201,000 ounces, June, 1893.

actually been done in the United States, and that in all important contracts there was a covenant to pay in gold. This is owing to the fear that the American market would be flooded with their hoarded silver. (*G.* There is no *hoarded* silver; there is, as I have said above, some that has been supposed to be *idle* silver.) People will here equally protect themselves against your enforced silver currency, and a nice mess you will make of it!

*G.* Your example goes far to prove my case. The United States is not now a true bimetallic country. If it were, and the Mint were open to the public for the coinage of silver, no one would do such a thing; nor, I repeat, did anybody ever do such a thing in a bimetallic country. It is possible that in the excitement of the change a few people here might desire to make such contracts, and might even persevere for a short time, and till the futility of it became apparent. I should like to see a specimen contract. It would be a valuable monument of folly. Fancy yourself making one, Harrop, on the sale of an estate for £20,000. I should like to see your face when your buyer brought you 20 bags containing 1,000 sovereigns each! What would you do with them?

*H.* Nothing at all. I shall be content with 20 £1,000 notes, which I shall pay into Glyn's; but I should demand that they should be payable in gold.

*G.* Why? What is that to you? How will it affect your housekeeping expenses, or any relations of your life? All you have to care for is that the notes should be payable in the full sum of legal tender specie which they represent, and that that specie, be it gold or silver, or both, should be accepted by our foreign creditors as money. Specie, except where used for pocket-money or till-money—for the ordinary transactions of daily life—is mainly used for export and import, for the discharge of international balances; and, by the hypothesis, gold and silver is accepted abroad for such discharge.

*H.* I am answered. But what is your distinction between *hoarded* and *idle* money?

*G.* *Hoarded* is that which you can use, but will not; and *idle* is that which you would use but cannot.

*W.* Some people think that there is another danger besides the dislocation of current transactions. I mean the change of what has been since 1816 the fundamental principle of our currency. Our money now is gold and gold only. You want to raise silver to a parity with it at a certain ratio, and would allow the debtor the option of paying in either metal. But I have heard that an experienced witness before the Gold and Silver Commission gave his opinion that our

gold standard was the foundation of our prosperity ; that England is the metropolis of the commercial world, to which all nations resort to settle their exchange business, because here, and here only, they can always get gold.

H. In other words, we are the Banking centre of the world. I incline to agree with that witness.

G. A very good thing too. But Banking is not the whole of Commerce, nor are Bankers, as Bankers, in a position to judge of the requirements of England's foreign trade. They are concerned rather with the internal movements of money, with the tools of commerce rather than with commerce itself.

So you really think that the fact of gold being our money rather than silver, or than both metals, is the mainspring of successful Banking, and the root of our commercial prosperity ?

S. I confess that my prepossessions used to tend the same way as Harrop's. I thought that that feature in our system was much to our advantage, and that other nations not enjoying it were handicapped in the race. I should like to hear what you have to say about it.

G. Very well. For the sake of argument let us suppose the advantage, and admit the handicapping. If other nations are injured by the absence of that advantage, what is to prevent them from altering their laws, throwing off the handicap, and riding with equal weights ? They might perhaps pass us,—who knows ? or at least press us hard in the race !

S. Nations don't always perceive what is best for them.

G. Are we to assume that we know better than all of them what is for their own interest ? *They* would retort that they know their own business better than we do.

I should answer you that if any one is handicapped by the English system it is England herself. Other nations, you say, can always get gold in England. Well, that is obviously an advantage *for them* if they want gold. *For us* it means that we, bound by our law, *must always give gold*, whether we like it or not, whether it contracts our circulation and raises our rate of discount or not. The handicap, I repeat, is on us and our commerce.

S. Is it all loss and no gain to England ?

G. There may be, as I said before, some advantage to the trafficker in bullion and the speculator in exchanges ; but not an atom more because it is gold alone in which he has to deal, and not silver alone, or both gold and silver.

Germany has followed our example. Is Germany the better for it ? Gold is her sole standard ; but it is alleged that so little does she prize the "advantage" of being a country where "one can

always get gold," that she interposes a difficulty in the way of its export. So do we. The difficulty we interpose is the rate of discount. The difficulty continental nations interpose, where they do interpose any, is an agio.

*W.* You, I think, throw some doubt on the existence of any such obstacle in the case of Germany?

*G.* Not I. But a doubt has been thrown; and it is alleged that she allows export without stint. "Everyone can get gold there." Is she "laying the foundation of commercial supremacy?" and is she to take "the half of our kingdom" at so easy a rate?

*S.* In any case, I don't see how Bimetallism would be a cure. We must always pay our debts; and whether our standard be gold or silver, or both, the payment must lessen our immediate resources, and unless you would repeal the Act of 1844, must contract the circulation and cause the rate of discount to rise.

*G.* Certainly that would always happen. No one who values as I do the convertibility of the bank note can desire the safeguard of that Act to be removed.

*S.* How then would we be better off for adopting your composite standard?

*G.* The difference which the law of Dual Legal Tender would bring about would be two-fold. First, the silver which now comes into England is a purchasable commodity, like wool or anything else, and causes some additional employment of the currency of the country, whereas every ounce that would come in after our return to the old law would be itself money, and would be available for remittance abroad in discharge of debt; or else would supply withdrawals and render less necessary the frequent echanges in the rate of discount, besides maintaining the Bank Reserve at a slightly higher level.

Secondly, the scramble for gold would cease. It exists now, and must continue, both because other nations have adopted it as their standard money in competition with us, and because they see the gold price of silver falling and don't know how low it may fall. There was no such scramble before 1873, and no such accumulations. France, for instance, had what was under the then circumstances a sufficient store in the Bank, £17,000,000; she has now £67,000,000, while the Bank of England has but £25,000,000.

*S.* It seems evident that this struggle for gold cannot result in good, whether to foreign nations or to us; and if a return to the *status quo ante* 1873 would take away the temptation to struggle, why, I say again, don't they return to it?

*G.* I think I have given reasons sufficient to account for

it,\* but you shall have another, or rather the same more fully worked out.

W. They say—or rather their apologists here say—that they remain as they are because they are satisfied of the superiority of our system.

G. Then why don't they adopt it, instead of taking to the "Limping Standard," which is neither fish nor flesh, nor good red herring?

W. I forget what the limping standard is.

G. The law of Dual Legal Tender minus the Open Mint.

W. What was your other reason for the hesitation of foreign nations?

G. Foreign nations well know—none better—that it is England which is handicapped by the present state of things; and they think, I suppose, but think wrongly, that it is to their advantage that she should be hampered. They therefore are the more content to sit still and await events.

W. But you say they would be ready and willing to join England in a Bimetallic Union. Why should they do that if they think that England is now at a disadvantage, and that that would cure it?

G. Because they know that then they would participate, under safe conditions, in the general improvement in commerce which would result, and that they would be amply compensated for any improvement in the commercial position of their rival.

It was, however, not about a Bimetallic Union that you asked, but about a return to the *status quo ante* 1873, which is a very different thing. They know, and we know, that that would be nearly all that *we* could desire; that our handicap would be removed, that our Indian difficulty would be at an end, that our commerce with silver-using countries would be restored to a stable condition, and that our Agriculture would be freed from the trammels which the Protection granted to the Indian producer imposes upon it.

The continental nations would also gain; but their gain would be little compared to the gain of England; and they, though willing to stand in with us, are naturally not very eager to do us this good turn unless we also are willing to stand in with them.

W. You say, "nearly" all we desire. What more do we want?

G. The increased stability which a Bimetallic Union would give; and the lack of that is, I believe, the chief reason for other nations insisting on our co-operation.

\* See p. 69.

*H.* All this may be very true as respects the present distress ; though I must consider the matter further before I assent to it—but that does not dispose of White's view that our gold standard was the foundation of our commercial supremacy.

*W.* No view of mine : it was the view, I think, of some eminent banker ; to which I wanted a good answer, if there is one. What do you say, Gilbertson ? I think I can guess.

*G.* I say that monetary superstition can no further go ; and, indeed, none of those who yield to it have attempted to show how such a thing could be. "All nations flocked hither because they could get gold !" I have told you why they *now* want gold, and struggle for the possession of it ; but before 1873 they neither wanted gold nor used gold. What should they do with it ? Silver was the money of the greater part of Europe, and of all Asia and America. For this reason, amongst others, Locke (whom Ricardo followed) thought silver the best money for England, and did not hesitate to say, "Gold is not the money of the world, nor fit to be so." For this reason also, Peel provided that the Bank might always hold silver ; and this the Bank always did until 1860, and would have gone on doing so till 1873, but that no one would sell to her. No wonder. Her price was 59½d. ; but the market price was over 60d. Was not England the metropolis of commerce, as Monk called her, in 1660, when she had a silver standard ? In 1663 and onward, when both metals were legal tender at a fixed ratio ? and even during the great war when she had inconvertible paper, and no one could get gold ? In 1816 she was monometallic by law ; but in 1826 the new system had not apparently availed to confirm her position as the metropolis of banking. Huskisson wrote : "France, not only by the amount of her metallic currency, but by her proximity to this country and her position on the continent, and by the great public credit which she possesses, is become very much the centre (the *clearing house*) of all the great pecuniary dealings to which commerce, exchanges, loans, and the movements of the money market give rise between this country and the continent."\*

*W.* Then you think the character of our money had nothing to do with our commercial prosperity ?

*G.* I think it had a great deal to do with it. The purity and honesty of our money, and the certainty that, whether it be silver or gold, the foreigner and the home-born alike can know that nothing can issue from her Mint that has not the due weight and fineness, is for much in our prosperity ?

*S.* Is there nothing else ?

\* See Appendix, p. xviii.

*G.* Certainly there is, and that of more moment than any system of currency. We were still the merchants of the world in Tudor days, when our money was as bad as possible.

*S.* The something else is not far to seek. You hinted at it an hour ago. Our financial prosperity, our commercial greatness, are built upon a wider and stronger basis than the colour or even the singleness of our money, much as I myself have prized that. They are built upon the energy, the enterprise, and the integrity of our fathers, and are maintained by the same qualities in our fathers' sons. They rest on our accumulated capital, on our accumulated mercantile experience, and on 200 years of uninterrupted internal peace; and they owe much to the insular position, and to the excellent harbours of England, much also to her coal and iron. I fear my prepossessions were formed rather lightly.

*W.* Bravo, Smail. You won't dispute that answer, Harrop?

*H.* I don't undervalue the natural advantages of England.

*G.* You think, then, that the legislative enactment that that pound sterling shall be 123·27 grains of standard gold has greater potency? Your friend Huskisson had no such superstition.

*H.* Neither have I; I don't know what you mean by your reference to Huskisson. But surely there is something in this. I am told that a bill drawn on England commands a better rate of exchange than one drawn on Paris, because in London you are sure of its being paid in gold.

*G.* Certainly the rate would usually be better, but if anyone gave you that as the reason, he must either have known little himself or have been experimenting on your powers of belief. The foreign trade of London is greater than the foreign trade of Paris, consequently there are usually\* more bidders for bills on the former city than on the latter, and competition obliges them to pay the drawer of a bill more dollars or gulden, or whatever the money is, for the £ sterling payable in London than for its equivalent payable in Paris. Your informant's statement would carry with it the further one that a bill on Stockholm should be worth more than one on Paris.

*H.* But if a Financier, say in Vienna, wanted gold to remit to Russia, surely he would give more for a Bill on London where he could get gold without charge, than from one on Paris where he could not?

*G.* That depends on several things. Whether there is an agio on gold in Paris, and if so, how much it is; what the rate of discount is in London, and whether it is or is not a less charge than the agio and the Paris rate of discount. The amount, if any, that he would pay more for the London bill, goes into the pocket

\* £1,800,000, the proceeds of the Chilian Loan, has lately drawn for, not on London, but on Paris, December, 1892.

of another Viennese ; and whatever it is, it serves to *equalise* the two transactions. I was speaking of ordinary commercial bills. They are used to pay or recover debts present or to come ; not to buy gold. The Peruvian who draws for £100 owed him by a Londoner, is not in the least interested to know whether specie passes to the other Londoner to whom the Bill is remitted. Neither is the buyer of the bill interested ; he owed £100 sterling, and pays it. The *character* of the money affects the rate of exchange, but the fact of specie passing or not passing, has in such a case no influence.

W. Your argument is good, so far as I am able to judge.

G. I think so ; and as to the general statement, Smail has well disposed of the delusion that our gold standard was the cause of our prosperity, and you may be sure, White, that we shall soon cease to fall down and worship the golden image that you have set up !

W. It was none of my setting up ! I only quoted one whom I thought wiser than myself.

By the way, what *did* you mean by your reference to Huskisson ? You spoke of him some time ago as a Bimetallist. Did you really mean it ?

G. Yes, I owe Harrop some news about Huskisson. *He* also said, as Locke did, and no doubt in Locke's sense, that there could be but one standard metal. There, in the bookcase, close to your hand, you will see the Wellington despatches ; and in the volume for 1826, at page 98,\* you will find Huskisson's plan,—an exposition of Bimetallism pure and simple ; that is to say, of the law of Dual Legal Tender. It established two monetary standards for England, if it is in any sense true that I and those that think with me on this subject desire to do so. The only difference between his plan and ours, was that instead of full weight silver coins being legal tender, Mint certificates for sums of £50 were to be issued on deposits of standard silver, by weight, at a ratio of 15½ to 1, and those certificates were “to circulate as money in all transactions.” There, Harrop, is your great exemplar. Follow him !

H. I confess that I *am* surprised. I had never read that paper of his. Does not Spencer Walpole say something about the Duke of Wellington rejecting some plan of Huskisson's because it would lead to two standards ?

G. Yes, this was the plan that he rejected ; but the Duke said nothing about standards. His fear was, that there might come to be two prices in the market ; which is a very different thing, and which long experience has since shown to be unfounded.

\* See Appendix, p. xiv., for the full text of Huskisson's paper.

W. The Duke was not a bad judge.

G. No. I am quite satisfied to accept his judgment—his maturer judgment. In 1839, having had 13 years in which to reconsider his opinion, and to observe the practical working of the law in France, he said—in evident reference to Huskisson's plan—that the plan he had always entertained for the finances of this country was “not to effect any change in the standard of value, or allow of paper, but to revert to the ancient practice of this country and the present practice of the Continent, by making silver as well as gold a legal tender for large sums. This silver to be given by weight and not by tale, and the Government to fix in the *Gazette* from time to time the precise ratio at which the two metals should stand towards each other. That ratio would be about 15 to 1—a little more at one time, a little less at another.”

W. There seems to be some inconsistency in that, does there not?

G. There does. Second thoughts are best. The Duke was wrong in the belief which he expressed at the same conversation, that in France the ratio was not settled by law, an error which misled him into the suggestion that it should not be definitely fixed in England. Notwithstanding his former objection to Huskisson's plan, it is evident by his saying that “by weight and not by tale,” and “large sums,” he was here adopting its provisions. It is true that at this time the Duke was in a position of more freedom and less responsibility; and a little apparent inconsistency may be excused. I daresay if you cudgel your brains, Harrop, you might find some apparent inconsistency in your friend Huskisson.

H. What was that? I remember that he opposed Attwood's soft money proposals. You don't consider that an inconsistency, do you?

G. Not at all. But he did more than that. He opposed Attwood's Bimetallic proposals; yet I daresay he would have averred that there was no inconsistency between his policy in 1826 and his policy in opposing Attwood.

W. How could that be if they were both Bimetalism?

G. Attwood justified his own measure by an argument which was fatal to its acceptance, though based on a complete misapprehension.

H. I think the statesmen of that day were wise enough to have detected the error if there was one. I suspect they rejected it on its merits, or demerits.

G. Attwood proposed two resolutions in 1830. I. For Bimetalism, with a ratio of  $15\frac{2859}{13640} = 15.21$  to 1. II. For £1 and £2 notes.

This latter scheme, inasmuch as there was no restriction on the amount of issue, and, moreover, no provision for maintaining a stock of gold to secure the convertibility of the note, deserved the reproaches that were levelled against it. The first resolution was attacked by Warburton amongst others, on the ground that gold would leave the country, and silver take its place, to be, he said, in its turn, displaced by notes. It is certain that he had not hit upon the true reason for his fear that gold would be exported; viz.: that it would have been a better remittance than silver, because the ratio selected undervalued gold and overvalued silver as compared to the ratio then, and now, existing in France. His fear was based on Attwood's own argument.

*H.* What was Attwood's argument, then, which you said was fatal to his plan?

*G.* Strange to say, he alleged as a merit of his scheme, that a man who had to pay £21 in taxes, would be able to buy silver in the market for which the Mint would give him £22. 2s. 9d., by which transaction he would gain £1. 1s. 9d. This being accepted as a possible result of such a law it necessarily followed that a man could treat his creditor as Attwood proposed that he should treat the Exchequer; and Herries, who by the way showed singular ignorance of the monetary law both of his own country and of France, was not slow to take it up, contending with much heat against the iniquity of allowing a man who owed a debt of £100 to pay it off with £95.

*H.* I know that Huskisson opposed him, but I don't remember what line he took.

*G.* He was, if possible, more vehement than Herries; foretelling universal bankruptcy and ruin as a consequence of the first resolution, and describing the second as laying the foundation of future danger and panic.

*H.* He may have been inconsistent, yet none the less wise. Second thoughts are best, as you said in speaking of the Duke. Huskisson may have repented of his proposals of four years before. I don't say he did; but unless there is some explanation of his action in 1830, it looks very like it. Don't you think so?

*G.* If he had repented, he would have used arguments which would have shown that scheme to have been defective; but he used none. He joined in the full cry of the opponents of Attwood, and willingly took hold of the handle which he had given.

*W.* Why should he not have corrected his error and supported his scheme, showing that it would not act as he had alleged?

*G.* For two probable reasons. First, Attwood belonged to the dangerous and unpopular Birmingham school of paper money,

with whom he by no means wished to identify himself—any stick is good enough to beat a dog with ; and second, he may, for the moment, really have imagined that that which the author of the resolution admitted as a result of it would actually follow from it, and he may have reflected that his own plan had safeguarded the creditor, as in fact it had.

*W.* You have not told us what the fallacy was in Attwood's statement, and in the attacks of his critics. I think I see what it was, from some of your former remarks.

*G.* It was only the same wonderful piece of folly which has again been excogitated by some wiseacre in these latter days ; and in 1830 there was not apparently a man in the House, not even Baring, who ought to have known better, who could, or perhaps who cared to, point out that no holder of silver would have been fool enough to have sold it at the low price supposed, when he could get the higher price from the Mint. Herries assured the House that the market price of silver was, and had been for eight years, 4s. 11d., and assumed that it would always remain so. It was, no doubt, the published price, at which the Bank had been willing to buy ; a price which would have been insufficient to attract a single seller, but that the French Revolution of that year had put the "International Clearing House" out of gear. When there was no such disturbing cause, 4s. 11½d. (the price in later years) was the least that would correspond to the French 15½ : 1 ; and had Attwood had his way and the English Mint been open at the Newton ratio of 15·21 : 1, a higher price would have been needed. It was alleged in the debate that the Bank held an enormous stock of silver. It was really about £1,500,000.

*W.* This is very interesting ; but I should like to point out a new feature in the controversy.

*G.* What is that ?

*W.* Well, in addition to some distinguished speakers in the debate of 1830, and to Giffen, who adopts the main error both of Attwood and his opponents and elaborates those startling details of his own, which you mentioned some time ago ;\* now, strange to say, we have Gladstone, who swallows the whole—swallows Attwood and his purchase of silver at 4s. 11d. from a complaisant seller who could get 5s. 2d. at the Mint ; swallows Herries, who misstated the but lately changed Monetary Law of England, and the then existing Monetary Law of France ; swallows Giffen, with his guesses, and with the crash which was to follow the re-enactment of the old Law.

*G.* I think I have nothing to add. I have said all that

\* p. 94—5.

I imagine can be said by anyone who had, as I have, really read the debate, and I have sufficiently commented on the false alarms of Dr. Giffen. Only this I will say, that I feel sure that he had never examined the absurdities of Attwood—the only foundation for the apprehended crash. As to the new combatant, I am very sure that Mr. Gladstone would have been the first to detect the fallacy, if he had read Attwood's speech—sure also that if he had had time to give real study to the subject of his own speech, he could not have failed to appreciate the vast difference which the events of 1873-6 imported into those monetary conditions which were present to Liverpool and Peel. As it is he accepted Giffen as "the highest living authority," and took all his statements without examination.

W. But you will acknowledge that Dr. Giffen is an authority?

G. Certainly, and a very good one in matters of pure statistics; but his estimates, like everyone else's, require confirmation, and in matters of Banking and Foreign Commerce, I confess I prefer the opinions of those who are practically engaged in those businesses. Certainly I have no faith in the avalanche of anxious creditors.

W. Some creditors, I suppose, might do it.

G. One madman makes many, but notwithstanding what the Prime Minister says about all the M.P.'s having balances at their Banker's and all rushing to withdraw them, I don't even believe that the Treasury Bench, however monometallist in theory, would withdraw a single shilling. What a lovely and lively sight it would be if they did! Drawing out, at 10 a.m. some day, £5,000 apiece in Sovereigns—no—in Notes; they would have to go to the Old Lady in Threadneedle Street for the Sovereigns. Fancy them all besieging Frank May's Office, and going away with five bags each—containing, each of them, 1,000 Sovereigns. What would they do with them? I need say no more.

W. *Solvuntur risu tabulæ.*

H. Harcourt, then, was wrong in speaking the other day of the Creditor having to receive £95 for every £100.

G. The thing was impossible. Harcourt, however, was only singing a second to Gladstone's song, though very likely it was Harcourt who "called the tune."

W. You remember what you said about Gresham and Locke and Newton. Did you happen to see a letter of H. D. MacLeod's in the *Pall Mall Gazette* of February 28th? He gives a very different version from yours of the opinions of those eminent men.

G. It is very easy to do that if one does not quote the words of

the eminent persons concerned. *I* have quoted them in the course of our conversation, excepting Gresham's, and I can show you now his ipsissima verba.\* As to Locke, MacLeod quotes him as saying that "other coins might be used as subsidiary to the standard;" but you know, what he has forgotten, that the ratio of those other coins to silver was established by law; and that the Mint was open to both metals, and to all persons alike. That is all we want.

*W.* You have not told us so much about Newton.

*G.* No. Mr. Macleod says Newton "proved in 1717 that if coins were used at a legal ratio different from the market value of the metals, the ones which were overrated remained in circulation and the others disappeared."† You have seen that he said nothing whatever about the "market value of the metals," but spoke of their legal ratio in foreign countries, as the only report of his that I know of, in 1717, clearly show—reports which were acted upon in the Royal Proclamation of 22nd December in that year.

*W.* Didn't Peel, in his speech in 1819, cite Sir Isaac Newton as an authority for the single gold standard?

*G.* He did, and that is one of the strangest things in the whole controversy. Nobody can doubt that Mr. Peel was so informed, but it is permitted to doubt whether those whose business it was to supply him with material were careful in their search or accurate in their report. He says "that great man [Newton] came back at last to the old doctrine that the true standard of value consisted in a definite quantity of gold bullion. Every sound writer on the subject came to the same conclusion." Now I may venture to say that no such statement appears either implicitly or explicitly in any writing of Sir Isaac Newton's; and I believe that till about the time of Lord Liverpool's letter to the King, no writer, sound or unsound, had suggested such a thing.

*H.* What did Sir William Petty or Mr. Harris think of it? I think Lord Liverpool quotes them.

*G.* Sir William Petty insisted that "of the two precious metals one is only the matter for money, and as matters now stand Silver is the matter of money"; and they both declare, in effect, that the unit must be maintained in one metal, and that coins of other metals must be rated in reference to the unit. But neither of them says anywhere that that unit should be gold, still less that either metal should be the only full legal tender, and still less that gold should be the one.

*W.* There seems to be a consensus in favour of a Silver Unit.

\* See Appendix, p. v. † See Appendix, p. ix.

*G.* Yes, and of gold being legally rated to it. As to the character of the rating, it was not only the theoretical opinion of monetary experts that the ratio between silver and gold in England should be the same as that in foreign countries, but the practical opinion of the mercantile community; as is shown by a letter on the subject of the guinea, from the Commissioners of the Bank of England to the King, dated Antwerp, July 6th, 1695, in which they speak of the mischievous high price of guineas, and desire that their rating to silver should be "reduced to the par of our neighbours before the late extravagant rise."

*W.* All that is very remarkable.

*G.* Yes; listen to the substance of one or two more reports of Sir Isaac's. In January, 1701, his report relates wholly to the difference in the English valuation of French and Spanish pistoles, compared with their valuation in France. In Sept. 28 of the same year, he reports as to the legal valuation of gold and silver monies in England, and leaves it to their lordships' great wisdom to consider whether it ought to be altered in consequence of the different legal proportion borne by gold to silver in France. He explains also in this and in the report of July, 1702, the cause and effect of the *agio* on silver in Spain, when wanted for export. In the latter report (all in his own handwriting), he remarks on the difference of ratio between England and the other Continental countries, and, showing that gold is too highly rated, recommends its being reduced by law. In a memorandum annexed to his report he gives an elaborate account of the ratio between gold and silver in many continental countries and towns.

*H.* Might he not have changed his mind afterwards?

*G.* Yes he might, but I have already shown that he didn't; and we know on the evidence of Cantillon, somewhere between 1717 and 1734, in his essay, "*sur la Nature du Commerce*," that when it was proposed to change the ratio by raising silver instead of lowering gold, Sir Isaac answered that, "silver was the only fixed coin of the country, and as such could not be altered." ("*Suivant les lois fondamentales du royaume, l'argent blanc etait la vraie et seule monnoie.*")

*W.* How came Lord Liverpool, do you think, to lay such stress on the choice of gold through supposed preference of that metal?

*G.* The cause was no doubt the inaccuracy of his informants, who allowed him to say that the banishment of silver had taken place by popular choice, whereas the alterations of the ratio which caused that banishment were made from time to time by orders in Council addressed to the Mint. Here you have the whole story in Dana Horton's book, "*The Silver Pound.*"

*W.* Yet a few words about Locke. You don't take him to have desired to bring about some great monetary change?

*G.* Not in the least. Some of your monometallist friends seem to look upon him as a great currency reformer, preaching the doctrine and discipline of oneness of money to a world sunk in the depths of bimetallic superstition.

*W.* And you, on the other hand, think him a believer in bi-metallism?

*G.* Excluding the idea of a double standard. Smail quoted what Locke said about it; and he wrote even more strongly in his first work: "Two metals, as gold and silver, cannot be the measure of commerce both together in any country."

*W.* Surely then he said just what the monometallist says, and no ordinary person would understand him to mean other than what the monometallist attributes to him.

*G.* The monometallist syllogism, in respect of Locke, seems to be this: Locke said two metals can't be the measure of commerce; money is the measure of commerce. Therefore, two metals, however linked together, can't be the money of any country.

*W.* My logic is rusty, but that seems good argument if Locke's premiss is admitted.

*G.* Harrop won't say so. He knows better. It contains what Mill calls a Fallacy of Confusion. It would be good, if the sole function of money were to measure value. Money has also the pleasing function of discharging debt; and that the two metals had, and should continue to have, that function was, of necessity, assumed in Locke's Report; the recommendations of which, for the alteration of the ratio, were acted upon by Treasury Order of February, 1698-9, and remained law till 1717, when Newton, acting on the same lines and for like reasons, recommended a further alteration of the ratio.

*W.* Locke struck out no new path, then?

*G.* None: He stood on the old paths, the paths that had been trodden for centuries, accepting silver as the basis of English legal tender money, and gold as a recognized equivalent at a ratio to be regulated from time to time by the State; and it was in this same path that Newton trod. What Locke said was thoroughly in accordance with the best perception of the results of the lights of that day. He accepted its practice without a hint of any disbelief in its soundness; but he was a philosopher, and worked out in his mind the problem whether men referred their dealings to the two metals or only to one, and decided, no doubt rightly, that it was to one alone; and certainly every statute and every

mint indenture down to 1816 treated silver as the basis, and treated the gold piece as so many shillings. I don't suppose anyone else took the trouble to go closely into the principle, but none deviated from the practice, which was the ordaining what should be the legal tender monies of the country.

*W.* Should you say that "Silver with Gold rated to it" was either synonymous with, or a substitute for, the Double Standard?

*G.* That is only a matter of nomenclature, or, if you like, of philosophical analysis. In practice, what we have of late called the double standard would give us legal tender money of both metals at a fixed ratio, and that is exactly what Silver with Gold rated to it gave our fathers. It was the only Bimetallism they knew, and they were content. They cared not a straw what it was called, or should be called. Neither do I.

*W.* You have told me much more than I knew. I have yet another point. After all, is not gold the fittest money for a great nation, whose transactions are expressed in millions?

*G.* Oh yes, I know; "Who drives fat oxen should himself be fat"! Those transactions are expressed in pounds sterling; and whether those pounds sterling are silver pounds or gold pounds affects in no way the convenience of commerce. In either case they are paid by cheque and cleared in the clearing-house. The view which you have expressed is one in justification of which no one has ever adduced a single argument. No one has attempted to show by a concrete example why gold should suit England, and silver Bulgaria. It would be possible for England to carry on her daily commerce without gold, but wholly impossible without silver.

*W.* We have not exhausted the argument from the war-chest. Is not gold more convenient for storing?

*G.* Certainly it is. Foreign nations do in effect store it against war, or for other purposes. Russia has I don't know how many millions; Germany also, it is said; and Austria is accumulating. All these can add to their store at pleasure from "the only place where one can get gold," because England is bound by law to give gold to him that asketh, if only he has bills of exchange in his hands.

As to war, again, States, now that silver is discredited, hold gold to prepare for it; but scarcely at all *in* war. You cannot pay soldiers any more than you can pay workmen with gold. Out of £5,826,107 which we sent abroad for the French war, only £519,647 was in gold.\*

*W.* About those Council Bills. Is not their great increase almost a sufficient cause for the fall in the gold price of silver?

\*See Report of the Bullion Committee, 1810.

G. How should that affect the price?

W. In more ways than one, I suppose. The amount of gold debt payable by India to England is said to have considerably increased; increasing of course the drafts of the Council. But quite irrespective of this, the amount of drafts have, from one cause or another, been greatly augmented; and any augmentation must have this effect, that the merchants who have to make remittances to India buy drafts instead of buying silver, and the price of the metal falls.

H. The increase of gold debt is only a small part of the business. How about the great mass of the increase of Bills?

G. I admit that to a question put to me in 1876, I gave the very answer which White seems to think sufficient. It was an unmitigated blunder, caused by lack of thought.

H. Tell us where the blunder lies. I think I see: You take it to be a confusion of cause and effect.

G. To be sure it is. White says it comes "from one cause or another." It is plain that the one and only cause is the Fall in the price of Silver. The Fall is the *cause*; and the Increase in the sum of the Bills is the *effect*, and not *vice versâ*. Suppose the United States to cease their purchases, and Silver to fall in consequence from 38d. an ounce to 19d. an ounce, it is clear that for every pound sterling needed by the Council it would have to draw twice as many rupees as before; so that the fall of Silver would, and did, inevitably cause the multiplication of the drafts. The merchants buy more drafts and less Silver.

H. I agree.

W. So do I. I must fire one shot at you, Gilbertson, before I go to bed. One witness said to the Gold and Silver Commission that you would enable a debtor to discharge a debt of £50,000 by delivering so many tons of silver at his door. What do you say to that?

G. I should like to know where he would get them. The inconvenience would be but little greater than being paid in fifty bags of sovereigns, and I doubt the witness had never been troubled in that way. Nor, I think, have we heard complaints that in France the streets were blocked up with waggon-loads of silver! These are imaginary evils.

W. Well, I'm off. For my part, I think Gilbertson has had the best of the battle. Good-night, you people.

H. Don't go yet. Let us have a turn at the ratio before we go to bed.

G. It won't take long. It's a matter which must be neces-

sarily left for the Conference, or rather, in the last resort for Diplomacy to settle ; but it arises naturally out of what we have just been talking of, and there is no reason to avoid the discussion.

*H.* I hear it said that you bimetallists always avoid the discussion ?

*G.* I at least have never done so, and never met any one who did. England cannot settle the ratio, for, as it takes two to make a quarrel, so must it take at least two to make an agreement, and therefore it would be foolish to fix one's affection on any particular rate.

*S.* What do *you* think should be the ratio ?

*G.* What I can get. A fixed ratio, whatever it be, is the one thing needful.

*H.* But will not a low ratio, say, 20 : 1, "stereotype all the evils which you allege to have resulted from the depreciation of the white metal?" So I see one newspaper says, and I incline to agree with it.

*G.* All wisdom is not granted to the Solomons who write in newspapers. The one in question has failed to apprehend what those evils are.

*H.* How would you treat the matter ?

*G.* In choosing a ratio, as in other things, there would be three courses before us. We might choose the old ratio, 15½ : 1. We might choose that marked out by the price of silver on the day of choice, say for to-day, 24 : 1. Or we might choose some intermediate ratio by way of compromise.

*H.* It seems to me preposterous that England, a great monetary State, should go into a Conference without a clear and decided opinion as to what she intends and desires as to the ratio, and merely allow herself to drift. Which ratio do *you* adopt? You must make up your mind, or your opinion will not be worth a dwt. of depreciated silver !

*G.* I can at any rate give you the *pros* and *cons* for the three courses. The first course is an honest one. We have injured our own people both at home and in India, and other nations also, by our legislation. We have by it given an advantage to certain classes, and prejudiced other classes. To reverse this, as I have said before, would be simple justice. If I were master, I would do it and fear not. It would be obviously the easiest plan, having regard to the Latin Union and Germany and the United States, and would be the only one likely to embrace all the commercial world.

*S.* How would foreigners view it ?

G. It would cause no disturbance to the Latin Union, Holland and Germany, where  $15\frac{1}{2}$  ounces of silver coin have still the same *vis liberatrix* as one ounce of gold. In the United States 16 ounces have it, and their people would make an apparent gain. England, having no standard silver money, would neither gain nor lose on this score.  $15\frac{1}{2} : 1$  gives us a definite fixed point, and *could* be settled beforehand, but it would be ridiculous to expect England to pin herself now to a figure that must necessarily shift from day to day.

W. Why do you speak of the Latin Union? That body no longer exists, I am told; but is resolved into its component parts, with each of which, by the way, you would have to reckon. I am sure I read in some newspaper that it was dead.

G. When did it die?

W. In 1873, I suppose, or 1876, when the Mints were finally closed to silver.

G. I saw no such announcement in the daily papers, nor, indeed, anywhere else, till the *Economist*, this year (1892), spoke of its "collapse," using it as a convenient argument to show that there could be no durability in an international monetary agreement.

W. If it still exists, it is a proof, is it not, that an international monetary agreement is more likely to be durable than not?

G. To be sure it is. It has lasted now intact 27 years; or if it has been indeed dead, it has behaved very oddly for a defunct. Its last meeting was in 1885, when it decreed the prolongation of its existence for five years, since when it goes on from year to year with a year's notice required in case of denunciation. Meanwhile, it is fulfilling all its appointed functions. I hear, too, that it is now deliberating, or about to deliberate, as to the attitude which it shall observe at the Conference.\*

W. I confess that I thought that its function was to maintain the price of silver, and that that having failed its occupation was gone.

G. There is not a word in the treaty about the price of silver. What should induce France or Italy in 1865 to be solicitous about maintaining the price of silver or gold? The two metals were with them on an equality (at a certain ratio) and the question of price of either did not and could not arise. The only places of any importance, where a price for either metal existed, were silver-using Germany and gold-using England; and the Latin nations were not so solicitous for the welfare of either of us that they should desire to raise the price of any of the commodities in which

\* The Conference has met and has suspended its sittings till May next.

we respectively dealt—unless, indeed, they were themselves producers of them.

*W.* Was there anything happening in 1865 which should make them apprehensive about silver?

*G.* The English price of silver had remained at a certain level for 60 years or so, and was at the moment above that level; nor was there the slightest indication that any thing would occur to disturb it. I cannot imagine that it could have occurred to any member of the Latin Union that it was necessary to take steps to “maintain” it. Can you?

*W.* No, nor any one who knew the facts; but then you know newspapers seldom disturb themselves about such trivial things as facts. What was the purpose of the Union?

*G.* Just what the treaty states, and what it has always fulfilled and is still fulfilling. To ensure the free circulation amongst its members of the gold and silver coins of each; to which end they were to be of prescribed weight and fineness.

*W.* Were they not obliged to coin certain quantities of each metal?

*G.* Not at all. They were under no obligation to coin either silver or gold. In 1873 they thought it good, first partially, and then wholly, to close their Mints to silver; and they agreed to do so. When the time comes they will agree to open them again.

*H.* You have your history right enough. Now to return to the second mode of which you spoke, in which the question of Ratio might be treated.

*G.* The second mode is as indefinite as the first is definite, depending on the market price on the day fixed. So far as that might be below the old ratio it would indeed “stereotype” some of the existing evils. It would, at the present price, bind the burden on India of the £6,000,000 or £7,000,000 extra taxation, and would continue the advantage to the Indian landowner and cotton-spinner till time should adjust the prices; and so far it would fail to remedy the injustice that has been done.

*W.* It would, I suppose, do no positive harm?

*G.* It might. So far from adding to the measure of value, it would probably decrease it; for whereas in the Latin Union and Germany 15½ weights of silver equal one of gold, 20 or 22 or 24 would then be wanted; and there would be the more danger of a further appreciation even of the joint standard.

*W.* Why should we assent to its adoption, then?

*G.* Well, even so, it would absolutely prevent a further fall in silver, and it would restore a par of exchange, thus facilitating

the employment of English capital in permanent works in silver-using countries. A settlement would have been arrived at, not indeed wisely nor too well; but I would accept it. We never had a true ratio; but this, for want of a better, would serve the purposes of commerce, much as 15½ did, without any greater pretence at accuracy. Even if, under lower prices, the production of silver should decrease, and the divergence between the quantities of the two metals should increase, we should never feel it or know it, except by statistics.

*W.* You say 24 to 1, which is the price of to-day. How do you know that that will be the price when we come to a settlement?

*G.* I *don't* know. I am only sure that the present price of the proscribed metal must be lower than what it would be if the proscription were taken off.

*W.* Why not postpone the date at which the international Bimetallic agreement should come into effect. The market would then itself fix the price, and therefore the ratio, with a full knowledge of the restored status of the white metal.

*G.* That would operate fairly. Suppose an agreement reached on the 15th of June. It might provide that it should come into effect on November 1, and that the ratio should be based on the price ruling at the close of business on the 31st October. The price would, doubtless, rise to a point corresponding to the expected increase in the demand.

*H.* You don't, then, think the present market price indicates the true ratio?

*G.* Certainly not, if by the true ratio you mean the true proportion of silver to gold in the world. When 15½ to 1 was adopted by the French law, that had been the legal ratio for many years, and was no doubt believed to represent more or less truly the real proportion between the two metals. If we take it to be so, the proportion has long since changed in favour of silver, the addition from 1803 to 1866 to the stock of gold having been £999,559,000, and to the stock of silver only £785,358,000. Therefore, if there was any great object in ascertaining the precise proportion, we should find it nearer 12 than 18. That, however, is not a question of practical politics.

*H.* Still, I cannot but think that the market price must afford an indication more or less correct of the true ratio.

*G.* How should it? The market price of to-day shows only what a buyer, at a given moment, will pay for a commodity, the chief use of which has been proscribed. Did you see Meysey-Thompson's illustration of this? He said: "Supposing a decree

that no man should wear a hat; people might make hats, buy and sell hats, carry them in their hands, sit on them, play football with them, hang them up anywhere; but, on no account, wear them on their heads. It is probable that the price of hats would fall." The Government of the day would no doubt say, with you, Harrop, that "the then existing price indicated the natural value of a hat; that they had not interfered with price; that they had left that to the natural laws of supply and demand." That is just what they have done with silver. They have cut off five-sixths of the demand; and then they say the resulting price is a true indication of the value of the commodity? Repeal the Hat Edict, and you would find that the neglected stock of hats would again be in use on the heads of the lieges, who would very cheerfully pay the accustomed price for them. So would it be also with silver. Restore its use as full money and you would see that its price would respond.

*H.* I doubt your second course might open the way to a considerable amount of speculation on the part of "Bulls" and "Bears" between the time of your supposed agreement and the date of its coming into force.

*G.* I don't think there would be more inducement to speculation than there is now. In the case supposed both buyer and seller would be in possession of a certain datum—the monetary reinstatement of Silver. As matters now stand, no one can form any idea of its future, and a seductive field is open to the gambler. It is clear to me that the price would rise towards the old ratio. The doubt is whether France would see it in that light, and whether she would not insist on a definite ratio being fixed at once.

*H.* That, then, would be your third course?

*G.* Yes, the compromise, based upon a ratio somewhere between the present market price of silver and the price ruling before the closing of the Mints; and if to such a compromise we must come, the terms of the compromise would have to be settled at the Conference. But it is possible that no arbitrary compromise would be so acceptable as a proposal to adopt the ratio indicated by the price which the market itself might fix in view of the opening of the Mints; and if there were really a fear of speculation that might be met by shortening the time to a few days after the Delegates should have come to an agreement on the principle, but I doubt so uncertain a proposal would satisfy neither France nor Holland.

*S.* But would any agreement at all be reached?

*G.* Who knows? We know that it is desired by the United

States and was desired by the Continental nations ; but it is idle to say that they won't agree before we have made the attempt.

Now, my good friends, Smail has finished his second cigar, Harrop is yawning *à démonter la mâchoire* (and no wonder). I vote we all go to bed.

S. We have had a very interesting conversation, and I at least will ponder over it. What say you, Harrop ?

H. I have never committed myself, so I may vote as I please.

G. Hear my last reflection. I would say, in conclusion, that if it could be shown that all the contentions of the monometallists and of the bimetallists were absolutely equal, and that it was impossible to discover more weight in one scale than the other as far as the old arguments were concerned, I should still, on a totally different ground, advocate bimetallism as a step forward in the right direction, inasmuch as it creates an international system instead of an insular or national one ; and I believe that, whether you admit it this year or next, a time must come, and come soon, when we shall again have ONE MONEY THROUGHOUT THE WHOLE REALM OF COMMERCE. Good-night !

HENRY H. GIBBS.

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*Note to p. 51.*—This was an under-estimate. The calculation is that there are about 8,000 dentists in America who use gold, and 2,000 in England, and that on the average they use 1lb. troy each ; so that, allowing nothing for any gold used elsewhere, the annual consumption is 10,000lb., which would be £467,000 sterling, supposing a standard of 11/12 fine.

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## APPENDIX.

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## Sir Thomas Gresham's Letter to Queen Elizabeth, 1558.

The following letter is taken from "The Life and Times of Sir Thomas Gresham, Knight," by John William Burgon, who states in a note, "this letter, which has never yet been printed, was found among the Lord Burghley's papers, and came into the possession of James West, Esq., who allowed Ward to transcribe it in manuscript into his private copy of the lives of the Gresham Professors, whence it is here extracted" :—

*Information of Sir Thomas Gresham, Mercer, touching the fall of exchange, MDLVIII. To the Quenes most excellent maiestye.*

Ytt may please your majesty to understande, thatt the firste occasion off the fall of the exchange did growe by the Kinges majesty, your latte ffather, in abasinge his quoyne ffrom vi ounces fine too iiii ounces fine. Wheruppon the exchange fell ffrome xxviis. viiid. (26s. 8d.) to xiiis. ivd. (13s. 4d.) which was the occasion thatt all your ffine goold was convayd ought<sup>a</sup> of this your realme.

Secondly, by the reason off his wars, the Kinges majestie ffell into greatt dept in Flanders. And ffor the paymentt thereof thay had no other device butt paye itt by exchange, and to carry over his ffine gowld ffor the paymentt off the same.

Thirdly, the greatt ffreadome off the Stillyarde and grantinge of licence ffor the carring off your woll and other comodities ought off your realme, which is nowe on<sup>b</sup> off the cheffest pointes thatt your majestie hathe to forsee in this your comon well; thatt you neavir re-restore the steydes<sup>c</sup> called the Stillyarde againe to ther privelydye which hath bine the cheffest poyntte off the undoinge off this your reallme, and the marchants off the same.

Now for redresse off thes thinges, in an. XVCLI [1551] the Kinges majestie, your latte brother, callide me to bee his agentt, and repossid a more trust in me, as well ffor the paymentt off his depttes beyond the seas, as ffor the ressyng<sup>d</sup> off the exchange,—beinge then att xvs. and xvis. the pounce; and your mony corrantt, as itt is att this presentt, beinge nott in vallew xs. First I practized with the Kinge and my lord off Northomberlande to overthrowe the Stillyarde, or else ytt coulede nott be brought to passe, ffor thatt

<sup>a</sup>Out. <sup>b</sup>One. <sup>c</sup>Steads, or perhaps staiths, the House of the Company of the Steelyard being on the bank of the Thames. Two little lanes, called the Steelyard, now swallowed up by the Cannon Street Railway Station, lay south of Thames Street, between Allhallows Lane and Cousin Lane. The Company was the Guild of Pepperers (now represented by the Company of Grocers), founded about 1180 A.D., to whom was entrusted the management of the King's Beam, or Steelyard, that is to say, the right of superintending the public weighing of merchandise. <sup>d</sup>Raising.

as your owne mere marchantes payeth outtwardes xivd. upon a cloth custome, thay paye butt ix. d. ; and like wisse, ffor all such wairs as was brought into your reallme, your owne mere marchantes payeth xiid. upon the pounce, the Stillyarde payd butt iiii. d. upon the pounce, which is vs. difference uppon the hundreth : and as thay would kepp downe the exchange by this consideration ; wher they wear men that raine all uppon the exchange ffor the byenge of their comodities, whatt did thay passe to give a lowar price then your own marchantes, when thaye gotte v<sup>l</sup>. (£5) in the hundredth by your custome ; which in processe off time woude have undone your whole reallme, and your marchantes of the same.

Secondarely, I practised with the Kinges majestie, your brother, to come in credit with his owne mer marchantes : and when time servid, I practised with theme att a sett shippinge, the exchange beinge still att xvis., thatt every man shoulde paye the Kinge xvs. upon a cloth in Anwarppe, to paye att doble usans xxs. in London ; which the Kinges majestie payd theme riallye, which did amountte to the some off LXXM<sup>l</sup>. (£60,000). Ande so, vi months after, I practised the 'licke upon ther comodities ffor the some off LXXXM<sup>l</sup>. (£70,000) to paye ffor every pounce starlinge xxiis. : so by thes meanes, I maide plenty off mony and scarcitie, and brought into the Kinges handes, which raised the exchange to xxxiiis. ijd. And by thes meanes I did nott only bringe the Kinges majestie your brother, outt off deytt, wherby I saveid hime vi. or viis. upon the pounce but savid his tresore within the reallme, as ther in Mr. Secretary Sissille was most privie unto.

Thirdly, I didd likewise cause all forraine qoynes to bee unvallewed, wherby itt might bee brought into the minte to his Majesties most fordll<sup>e</sup> ; att which time the kinge your brother dyed, and for my rewarde of servize, the Bishoppe of Winchester sought to undoe me, and whatsoever I sayd in thes matters I should not be credited : and againste all wisdome the sayd bishoppe went and vallewid the French crowne at vis. ijd. and the pistolott at vis. ijd., and the silver rialle at vid. o b. Wheruppon, immediattlye, the exchange fell to xxs. vid. and xxiis. and ther hath kept ever sithence. And so consequently aftire this ratte and manor<sup>e</sup>, I brought the quenes majestie your sister out of deytt of the some of ccccxxxviii<sup>l</sup>. (£435,000).

Fowerthlye, by this itt maye playnely appear to your hightnes, as the exchange is the thinge that eatts<sup>a</sup> ought all princes, to the wholl destruction of ther comon well, if itt be nott substantially looked unto ; so likewise the exchange is the cheffest and richest thinge only above all other, to restore your Majestie and your reallme to fine gowld and sillvar, and is the meane thatt makes all forraine comodities and your owne comodites with all kinde of

<sup>a</sup> Like.    <sup>f</sup> Foredeal, i. e., profit.    <sup>o</sup> Rate and manner.    <sup>a</sup> Eats out.

vittalles good cheapp, and likewise keppe your fine golde and sillvar with in your reallme. As, for exsample to your hightnes, the exchange beinge att this present att xxiiis. all marchantes seeke to bringe into your reallme fine golde and silver; for if hee should deliver itt by exchange, he disbursis xxiiis. Flemishe to have xxs. sterlinge; and to bringe itt in gowld and sillver he shall make thereof xxiiis. i<sup>vd</sup>.—wherby he saves vii<sup>id</sup>. in the pounce: which profitte, if the exchange shoulde kepp but after this ratte of xxiiis. in fewe years you shoulde have a welthi reallme, for her<sup>d</sup> the treasur shoulde continew for ever; for thatt all men shoulde finde more profytte by v<sup>l</sup>. (℥5) in the hundreth to deliver itt per exchange, then to carry itt over in mony. So consequently the higar the exchange riseth, the mor shall your Majestie and your reallme and comon well florrish, which thinge is only keppt up by arte and Godes providence, for the quoyne of this your reallme doeth nott corresponde in finnes<sup>e</sup> nott xs. the pounce.

Finally, and itt please your majestie to restore this your reallme into such estatt, as hertofore itt hath bine; first, your hyghtnes hath non other wayes, butt when time and oportunitie serveth, to bringe your basse mony into fine of xi ounces fine, and so gowld after the ratte.

Secondly, nott to restore the Stillyarde to ther usorpid priviledges.

Thirdly, to grantt as fewe licences as you cane.

Fowerthly, to come in as small deppth as you can beyond seays.

Fifthly, To kepp [up] your credit, and specially with your owne marchants, for it is thaye must stand by youe att all eventes in your necessity. And thus I shall most hombly beseech your majestie to exceptt this my [poor writing in good] partte, wherin I shall from time to time, as oportunitie doeth serve, putt your hyghtnes in remembrance acordinge to the trust your Majestie hath reposside in me, becechinge the Lorde to give me the grace and fortune thatt my servis may allwais bee exceptable to your hightnes; as knoweth our Lorde, whome preserve your noble Majestie in health and longe to raigne over us with increase of honor.

By your Majesties most homble,

and faythefull obedientt subject,

THOMAS GRESHM̃,

Mercer.

<sup>d</sup>Here.

<sup>e</sup>Fineness.

## Extract from the Report of John Locke and other Commissioners, 1698.

“We are humbly of Opinion that it is necessary, Guineas in their common currency be brought down to 21s. 6d. at least; And further humbly conceive that Your Excellencies may fitly do it by giving directions, That the officers of the Receipt of his Majesty’s Exchequer, and all others the Receivers of His Majesty’s Revenue, do not take them at a higher rate. This appears to us the Most Convenient way, because it may, at all times, be a ready and easy remedy, upon any further variation that shall happen in the world in the Price of Gold; or even in case this now proposed Lowering of Guineas should not prove sufficient: For it being impossible, that more than One Metal should be the true Measure of Commerce; and the world by common Consent and Convenience, having settled that Measure in Silver; Gold as well as other Metals, is to be looked upon as a Commodity, which varying in its Price as other Commodities do, its Value will always be changeable; and the fixing of its value in any Country, so that it cannot be readily accomodated to the course it has in other neighboring Countries, will be always prejudicial to the Country which does it. The Value of Gold, here at the price of 21s. 6d. a Guinea, in proportion to the Rate of Silver in our Coin, will be very near as fifteen and one-half to one; the value of Gold in proportion to Silver, in Holland and Neighboring Countries, as near as can be computed, upon a Medium, is as fifteen to one; so that by bringing down the Guineas to 21s. 6d. Gold will not here be brought to so low a Price as in our Neighboring Countries; Nevertheless, we are humbly of Opinion that the Abatement of sixpence in the Guinea will be sufficient to stop the present disproportionate Importation of gold; because the Charge for Insurance, Freight, Commission, and the like, will eat up the Profit that may then be made thereby, and hinder that Trade; but if, contrary to our Expectation, this Abatement should prove too small, Guineas may by the same easy Means be lowered yet further, according as may be found expedient.”

Reports made by Sir Isaac Newton, Master of the Mint, concerning the state of the Gold and Silver Coins.

*"To the Right Hon. the Lords Commissioners of His Majesty's Treasury.*

"May it please your lordships ;

"In obedience to your lordships' order of reference, of August 12th, that I should lay before your lordships a State of the Gold and Silver Coins in this kingdom, in weight and fineness, and the value of Gold in proportion to Silver, with my observations and opinions ; and what method may be best for preventing the melting down of the Silver Coin ; I humbly represent, that a pound weight troy of gold, 11 ounces fine, and one ounce allay, is cut into 44½ guineas ; and a pound weight of silver, 11 ounces two pennyweight fine, and 18 pennyweight allay, is cut into 62 shillings ; and, according to this rate, a pound weight of fine gold is worth 15 pounds weight six ounces 17 pennyweight and five grains of fine silver, reckoning a guinea at £1. 1s. 6d. in Silver money ; but silver in bullion, exportable, is usually worth 2d. or 3d. per ounce more than in coin ; and, if, at a medium, such bullion of Standard-allay, be valued at 5s. 4½d. per ounce, a pound weight of fine gold will be worth but 14lb. wt. 11oz. 12dwt. 9gr. of fine silver in bullion ; and, at this rate, a guinea is worth, but so much silver as would make 20s. 8d. When ships are lading for the East Indies, the demand of silver, for exportation, raises the price to 5s. 6d. or 5s. 8d. per ounce, or above ; but I consider not those extraordinary cases.

"A Spanish pistole was coined for 32 rials, or four pieces of eight rials, usually called pieces of eight, and is of equal allay, and the sixteenth part of the weight thereof ; and a Doppio Moeda of Portugal was coined for ten crusados of silver, and is of equal allay, and the sixteenth-part of the weight thereof : Gold is, therefore, in Spain and Portugal of sixteen times more Value than Silver of equal weight and allay, according to the standard of those Kingdoms ; at which rate a guinea is worth 22s. 1d. ; but this high price keeps their Gold at home in good plenty and carry away the Spanish Silver into all Europe, so that at home they make their payments in Gold, and will not pay in Silver without a premium ; upon the coming in of a Plate fleet the premium ceases, or is but small ; but as their Silver goes away, and becomes scarce, the premium increases, and is most commonly about six per cent, which being abated, a guinea becomes worth about 20s. 9d. in Spain and Portugal.

"In France a pound weight of fine Gold is reckoned worth 15

pounds weight of fine Silver; in raising or falling their money their Kings' edicts have sometimes varied a little from this proportion in excess or defect, but the variations have been so little that I do not here consider them: By the edict of May, 1709, a new pistole was coined for four new lewisses, and is of equal allay, and the fifteenth-part of the weight thereof, except the errors of their mints; and by the same edict fine Gold is valued at 15 times its weight of fine Silver; and, at this rate, a guinea is worth 20s. 8½d. I consider not here the confusion made in the monies in France by frequent edicts to send them to the Mint and give the King a tax out of them: I consider only the value of Gold and Silver in proportion to one another.

"The ducats of Holland, and Hungary, and the empire, were lately current in Holland, among the common people, in their markets, and ordinary affairs, at five guilders in specie, and five stivers; and commonly changed for so much Silver-mones in three-guilder pieces, and guilder-pieces, as guineas are with us for 21s. 6d. sterling; at which rate, a guinea is worth 20s. 7½d.

"According to the rate of Gold to Silver in Italy, Germany, Poland, Denmark, and Sweden, a guinea is worth about 20s. and 7d. 6d. 5d. or 4d., for the proportion varies a little within the several governments in those countries. In Sweden, Gold is lowest in proportion to Silver, and this hath made that Kingdom, which formerly was content with copper money, abound of late with silver, sent thither (I suspect) for naval stores.

"In the end of King William's reign, and the first year of the late queen, when foreign coins abounded in England, I caused a great many of them to be assayed in the mint and found by the assays that fine gold was to fine silver in Spain, Portugal, France, Holland, Italy, Germany, and the northern Kingdoms, in the proportions above-mentioned, errors of the mint excepted.

"In China and Japan, one pound weight of fine gold is worth but nine or ten pounds weight of fine silver; and in East-India it may be worth twelve: and the low price of gold in proportion to silver carries away the silver from all Europe.

"So then, by the course of trade and exchange between nation and nation in all Europe, fine gold is to fine silver as 14½ or 15 to one; and a guinea, at the same rate, is worth between 20s. 5d. and 20s. 8½d., except in extraordinary cases, as when a Plate fleet is just arrived in Spain, or ships are lading here for the East Indies, which cases I do not here consider: And it appears by experience as well as by reason, that silver flows from those places, where its value is lowest in proportion to gold, as from Spain to all Europe, and from all Europe to the East-Indies, China, and Japan; and that gold is most plentiful in those places, in which its value is highest in proportion to silver, as in Spain and England.

“ It is the demand for exportation which hath raised the price of exportable silver about 2d. or 3d. in the ounce above that of silver in coin, and hath thereby created a temptation to export, or melt down, the silver coin, rather than give 2d. or 3d. more for foreign silver; and the demand for exportation arises from the higher price of silver in other places than in England in proportion to gold; that is, from the higher price of gold in England than in the other places in proportion to silver; and therefore may be diminished, by lowering the value of gold in proportion to silver: If gold in England, or silver in East-India, could be brought down so low as to bear the same proportion to one another in both places, there would be here no greater demand for silver, than for gold to be exported to India; and if gold were lowered only so as to have the same proportion to the silver money in England which it hath to silver in the rest of Europe, there would be no temptation to export silver rather than gold to any other part of Europe. And to compass this last, there seems nothing more requisite than to take off about 10d. or 12d. from the guinea; so that gold may bear the same proportion to the silver money in England, which it ought to do by the course of trade and exchange in Europe; but if only 6d. were taken off at present, it would diminish the temptation to export, or melt down, the silver coin; and by the effects, would shew hereafter, better than can appear at present, what further reduction would be most convenient for the public.

“ In the last year of King William, the dollars of Scotland, worth about 4s. 6½d. were put away in the north of England for 5s. and at this price began to flow in upon us: I gave notice thereof to the lords commissioners of the treasury; and they ordered the collectors of taxes to forbear taking them; and thereby put a stop to the mischief.

“ At the same time, the lewidors of France, which were worth but seventeen shillings and three farthings apiece, passed in England at 17s. 6d.: I gave notice therefore to the lords commissioners of the treasury; and his late majesty put out a proclamation, That they should go but at 17s.; and thereupon they came to the mint; and £1,400,000 were coined out of them; and if the advantage of 5½d. in a lewidor, sufficed at that time to bring into England so great a quantity of French money, and the advantage of three farthings in a lewidor to bring it to the mint, the advantage of 9d. half-penny in a guinea, or above, may have been sufficient to bring the great quantity of gold, which has been coined in these last fifteen years, without any foreign silver.

“ Some years ago, the Portugal moedors were received in the west of England at 28s. a-piece; upon notice from the mint that they were worth only about 27s. 7d., the Lords Commissioners of the Treasury, ordered their receivers of taxes to take them at no

more than 27s. 6d. Afterwards many gentlemen in the west sent up to the treasury a petition, that the receivers might take them again at 28s. and promised to get returns for this money at that rate; alledging, that when they went at 28s. their country was full of gold, which they wanted very much; But the commissioners of the treasury, considering, that at 28s. the nation would lose 5d. apiece, rejected the petition: And if an advantage to the merchant of 5d. in 28s. did pour that money in upon us, much more hath an advantage to the merchant of 9½d. in a guinea, or above, been able to bring into the Mint great quantities of gold, without any foreign silver; and may be able to do it still, till the cause be removed.

"If things be let alone till silver money be a little scarcer, the gold will fall of itself; for people are already backward to give silver for gold, and will, in a little time, refuse to make payments in silver without a premium, as they do in Spain; and this premium will be an abatement in the value of the gold; and so the question is, Whether gold shall be lowered by the Government, or let alone till it falls of itself, by the want of silver money. It may be said that there are great quantities of silver in plate; and if the plate were coined, there would be no want of silver money: But I reckon, that silver is safer from exportation in the form of plate than in the form of money, because of the greater value of the silver and fashion together; and therefore I am not for coining the plate, till the temptation to export the silver money, which is a profit of 2d. or 3d. an ounce, be diminished; for as often as men are necessitated to send away money for answering debts abroad, there will be a temptation to send away silver rather than gold, because of the profit, which is almost four per cent.; and, for the same reason, foreigners will choose to send hither their gold rather than their silver.

"All which is most humbly submitted to your lordships great wisdom.

"ISAAC NEWTON.

"MINT OFFICE,  
"21st September, 1717."

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*To the Right Hon. the Lords Commissioners,  
of His Majesty's Treasury.*

May it please your Lordships,

In obedience to your Lordships' order of reference of the 19th instant, that an account be laid before your Lordships, of all the gold and silver, coined in the last 15 years; and how much

thereof hath been coined out of plate upon public encouragements; and what copper money hath been newly coined; it is humbly represented, that since Christmas, 1701—2, to the 19th instant, there hath been coined in gold, 7,127,835*l.*, in tale, reckoning 44½ guineas to a pound weight troy, and 21*s.* 6*d.* to a guinea; and in silver 223-380*l.* sterling, reckoning 3*l.* 2*s.* to a pound weight troy, and that part of this silver, amounting to 143,086*l.* sterling, was coined out of English plate, imported upon public encouragement, in the years 1709 and 1711; and another part amounting to 13,342*l.*, was coined out of Vigo plate in the year 1703 and 1704; and another part, amounting to, 45,732*l.* was coined from silver extracted from our own lead-ore; and the rest amounting to 21,220*l.* was coined chiefly out of old plate melted down by goldsmiths; and some of it out of pieces of eight.

The graver of the Mint has been hard at work, ever since the last session of Parliament, in making the embossments and puncheons for the half-pence and farthings, and taking off a few dies from them: the making of an embossment, and a puncheon, for half-pence, takes up the time of about six weeks; and there have been two embossments; and two puncheons, made for, the half-pence, and one for the farthings; and now these are finished, and some dies are made from the puncheons, it will take up a little time to examine the copper, and settle the best method of preparing, sizing, nealing, and cleaning it, and making it fit for the Mint; this being a manufacture different from that of coarse copper, and more difficult, and not yet practiced in England; and as soon as this method is fixed, we shall begin to coin in quantity.

All which is most humbly submitted to your Lordship's great wisdom.

(*Sgd*) ISAAC NEWTON.

Mint Office, Nov. 23<sup>rd</sup>, 1717.

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# A PAPER ON THE CURRENCY.

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Presented to the British Government by Mr. Huskisson  
(a Minister of the Crown).

*8th February, 1826.*

In all the circumstances of this country there is nothing more calculated to create anxiety, and call for early consideration, than our want of adequate preparation in respect to the arrangement of our currency and finance, to meet those demands which war may at any time render necessary.

Our riches and power are greater than at any former period ; but our wealth is a mine placed by the side of a volcano, and our strength may fail us at the moment when we may require its greatest exertion.

It is unnecessary to show that, in point of currency, the country is not prepared for the drain of a war.

We must now be convinced that we could not have met the contingency of a bad harvest, and we are aware that without either of these occurrences, even the inevitable recoil of the late overtrading proved all but fatal to the solvency of the Bank.

The plan for gradually diffusing over the country a metallic circulation, in lieu of the one and two pound notes, will unquestionably effect a considerable diminution of this evil, but will it be a sufficient remedy, either in point of amount, or perhaps in point of time ? I certainly think not.

In proportion as sovereigns take the place of small notes in general circulation, the Bank of England will be comparatively safe against all sudden calls, which panic may occasion, for internal use, although the amount of their own treasure may be kept considerably lower than it has been upon the average of the last three or four years.

An external drain, in the ordinary course of commerce, may mostly be foreseen ; its symptoms are known, its approaches are gradual, its amount may be checked ; and against the effects of such a drain, therefore, the Bank may protect themselves by such a proportion of treasure to the amount of their notes as it would at all times be prudent to keep, to be prepared for internal

exigencies. Beyond this limit, the Bank Directors cannot be expected to hoard bullion. It is no part of their business, nay, it would be a violation of their duty to their proprietors to accumulate treasure, useless and unproductive to themselves as bankers, for the purpose of providing for the contingent wants of others or of government.

When those wants occur upon a large scale, the Bank therefore will not be able to meet them, and if they are supplied from the metallic currency in circulation, there will not only be great pressure, and consequent risk of a panic, with all its usual consequences, but even without absolute panic, a rapid contraction of paper, both by the Bank and all country banks; and, by the latter, a simultaneous effort to increase their store of gold, in order to be prepared against the possible consequences of a run.

I agree with Mr. Baring that such a state of things, after great disasters and suffering, would, at the end of one or two campaigns, either paralyse our exertions, or lead to another suspension of cash payments. What the immediate effects, and what the final consequences of such a suspension might be, are considerations which I shall not now enter upon.

To avoid it we must give a broader foundation to our metallic currency, one sufficient to protect us, without violent fluctuations, not only from the effect of any ordinary disturbance in the foreign exchange, occasioned by the course of commercial speculation, but also from the greater pressure which may be brought upon the money market by a bad harvest or a war. There appears to me but one mode by which this can be effected, without pushing further than is now intended, or would at any time be prudent, the principle of substituting a gold coin for circulating credit in the transactions of the country.

Silver, it is well known, is the basis and standard of the metallic circulation of all other civilised countries. It was so of this country in former times. It continued to be a legal tender by *weight*, though not by *tale*, according to the standard of the Mint (5s. 2d. an ounce) until the year 1819.

Upon the issue of our new silver coin, at the standard of 5s. 6d. an ounce, it was provided that this coin should not be a legal tender for any amount exceeding 40s.; and it would be impossible, with such a high rate of seignorage and consequent disproportion in its denominative value to that of our gold coin (which remains at the old standard, and upon which there is no seignorage at all), to allow our present shilling to be a legal tender for any larger sum.

Our present monetary system, therefore, does not admit of the use of silver coins, except upon the same principle as those of copper, namely, as tokens, to the extent necessary for the convenience of change in the adjustment of small pecuniary transactions.

To this extent silver coin has been provided, and the supply is now fully adequate. Except for the use of our manufactures, in which silver is wanted as a commodity, there is now, therefore, no demand for silver in this country. This consumption is very inconsiderable, compared with the quantity which our commercial connection with the New World has for some time furnished, and is henceforward likely to pour into this country. It is the great staple of their commerce; the only one of any great amount by which, for many years, they will be able to pay for our manufactures.

Another inconvenience of our monetary system is, that when the Bank is in want of treasure from the Continent, as it was at the late crisis, and is still at this moment, it must confine itself to the purchase of gold. This is attended with great expense, in the first instance, to the Bank, but which is ultimately a loss to the country. Whenever the exchanges are against us, this gold must go forth again, because it is the only available element of adjustment. Neither is expense the only evil, or, perhaps, the worst. By resting our operations on this narrow basis, we take them out of the ordinary course of commercial dealings. We proscribe that metal in which the pecuniary transactions of Europe, political or commercial, are balanced in the ordinary course; and the result is that we place ourselves, in matters connected with the foreign exchanges, and the means of supplying our metallic wants, at the mercy of a powerful house here, acting in concert with their connections on the Continent, and vest them with a power, the use of which, however profitable to them and their connections, is neither desirable for the interests of commerce, nor safe for those of the country, to place in any such hands.

The use of silver being virtually prohibited in this country for that purpose which constitutes its principal use and consequent demand all over the world, it comes here from South America under the like disadvantages as other commodities not allowed to be brought into home consumption. It has not the advantage of our own, which is the best market. It is, in consequence, less valuable to the importer; the price is kept down, at least to the extent of the charge and profit of the purchaser, who buys it for re-exportation, and this is considerable when, from the exchanges not being against us, there is no immediate demand for such exportation. The consequence is that our trade with the New States of America,—a trade which, in every point of view, it is of the greatest importance to promote,—must continue to be carried on to a positive disadvantage in competition with the like trade from France or the United States, so long as the system remains unaltered.

If I have established that, for the sake of our internal circula-

tion, for the steadiness of our foreign exchanges, and for the interests of our trade, it is desirable to introduce the use of silver in the monetary system of this country, it remains to be considered how we can reconcile that introduction with our present *token* currency of the like metal, and with our gold coinage.

The mode by which it appears to me these objects can be most conveniently and effectually attained, is simply this :—

To erect the Mint into a bank of deposit for silver only, upon the principle of the Hamburg Bank.

The outlines of the plan will be shortly these :

1st. That the Mints should receive the deposits of silver bullion tendered for that purpose, and should give a receipt or receipts according to a prescribed form for the same. Each receipt to specify, in ounces, the quantity of silver of standard fineness which it represents, and its equivalent value in our money at the fixed rate of\* per ounce.

2nd. No deposit to be received of less than 200 ounces, and no receipt to be given for less than £50 sterling.

3rd. The quantity of silver specified in the receipt to be delivered by weight to the bearer thereof, whenever he might call for the same, and in no other manner, and on no other account whatsoever.

4th. These receipts to circulate as money in all transactions.

Various regulations of detail,† not necessary to be entered upon at present, would become requisite for giving effect to this plan. But it is essential to state the fixed rate at which silver should be deposited at the Mint, and, by the receipts for it, become part of our currency.

That rate, I propose, should be precisely the same in proportion to our gold as the proportion established by the Mint regulations of France between their silver and gold coins, namely  $15\frac{1}{2}$  to one. This would give, I believe, 5s.  $0\frac{1}{2}$ d. an ounce as the standard price of silver bullion in the Mint receipts.

The advantage and success of the plan would depend, in a considerable degree, upon this equality of proportion.

In the first place, it is fairly to be assumed that this proportion established in France is the nearest that can be attained to the relative marketable price of the two metals. The agio on their gold coin (except from some very extraordinary state of things, such as a political panic) never exceeds  $\frac{1}{4}$  per cent, it is frequently

\* Blank in original manuscript.

†These regulations might very properly become the subject of an enquiry, by examining witnesses before the Board of Trade.

$\frac{1}{8}$ , and sometimes there is no agio at all; in short, not more than may be accounted for from its superior convenience for carriage in travelling, and the like purposes. Secondly, France has by far the greatest quantity of metallic money of any country in Europe. It has been estimated as high as seventy millions sterling. The bulk and basis are silver, but there is a considerable portion of gold. They both retain their places in circulation without interfering with each other; and it is obvious that a country possessing so very large a portion of the metallic wealth of Europe will have a great influence in maintaining, in the general market of Europe, the proportion which, by its Mint regulations, it may assign to gold and silver, unless the intrinsic value of one of these metals in relation to the other should, in process of time, be greatly varied by the state of the supply from the New World. What I mean is, that the Mint regulations of France, having been formed on the existing proportion, those regulations have a great tendency to give steadiness to that proportion. Thirdly, France, not only by the amount of her metallic currency, but by her proximity to this country, and her position on the continent, and by the great public credit which she possesses, is become very much the centre (*the clearing-house*) of all the great pecuniary dealings to which commerce, exchanges, loans, and the movements of the money-market, give rise between this country and the continent. The example of France in the last twelve years shows what great stability against ruinous fluctuations at home, and what power of adjustment in respect to foreign drains, she derives from her great metallic circulation. Neither invasion and the occupation of her capital and part of her territory, nor the payment of a very large foreign tribute, nor the disquietude which continued some years after the restoration of the Royal Family, nor the Peninsular war, ever for a moment deranged her currency, or brought great pressure upon her foreign transactions. The nearer, therefore, we can approximate to the state of France, without giving up the peculiar advantages of our circulating credit, the better; the more we can render her system the means of affording at least occasional props to our own, the better.

It is clear that if our deposit price of silver at the Mint be equivalent to the mint price of France, there can be no inducement to carry it there, unless when the state of the exchange requires a remittance, and then it ought to go. It is equally clear that the current value of our gold being fixed in the same proportion to that of silver as they bear to one another in France, our gold coin will be equally safe from exportation under the like circumstances.

When the exchanges are against us, to a certain degree the silver bullion or the gold may be equally exported; but it is at

least as probable the silver would be preferred,\* because it is the basis of the French circulation; and at any rate it would be a treasure to which the Bank might have recourse to rectify the exchange without parting with too much of its gold. The preference for silver could not fail to preponderate as soon as the drain of gold created a pressure upon the country circulation.

In the ordinary state of peace and of commerce a large accumulation of silver would probably take place in the course of a few years from the adoption of the plan.

So much the better. It would remain in the Mint as our reserve, whilst receipts being issued to the same amount, would give it all the activity of circulation.

The triple advantage which I expect from the plan would be thus realised.

1st. It would, from its outset, relieve our silver trade with the New World from the disadvantage under which it now labours.

In the eager competition and low profits of trade, this alone would be no immaterial benefit.

2ndly. It would enable us to meet an unfavourable exchange, occurring in the ordinary course of commerce, without a material drain on the gold coin in the hands of the Bank, or on that which, after the withdrawing of the one pound notes, will necessarily be in active circulation for all the smaller transactions of the country.

3rdly. It will afford a fund for the extraordinary occasions of dearth, armament, or war.

Whether there should be more than one place of deposit in the United Kingdom to suit the wants and convenience of commerce, is a question which need not be discussed at present.

The principle of the plan is not to add to the currency in general circulation of country districts. Of that they will have enough in the issues of banks of credit, and in our gold circulation, and our silver tokens; but it would bring a new element of currency, and that of the most secure and unvarying kind, into the great pecuniary and commercial operations of the metropolis, and possibly of one or two other great marts.

It would give to them all the direct advantages which Hamburg finds in its bank, whilst to the country circulation, it would afford the greatest subsidiary advantages, by diminishing the risk of pressure and of consequent distress.

If this plan be adopted, or something equivalent to it,—if the one pound notes be gradually withdrawn,—if the Bank of England, and every banking establishment in the kingdom be in consequence under the necessity of keeping a stock of gold coin,

\* Misprinted “preserved” in the Wellington Despatches. The context is a sufficient proof of the correctness of the substituted word.

in some fair proportion to its circulation,—I shall be sanguine that we shall be safe against the risk of again suspending cash payments ; that we shall be much less liable to those violent fluctuations, sometimes favouring unduly the debtor, and at other times the creditor part of the community, but always attended, not only with flagrant injustice and severe individual suffering, as well as with great national loss, and the imminent hazard of disturbing the public tranquillity ; and lastly, that we shall be in a state to meet a war without incurring an act of bankruptcy.

Without both these measures I dare not entertain such a hope. It may be very well to have, if we can, bank companies as solid as those of Scotland, but the property of those who issue circulating paper, however, it may be security against the risk of their not ultimately paying in full, is no guard (perhaps rather the reverse) against their not issuing to excess. They may have land or stock in abundance, but is the value of all the acres, of all the Three Per Cents of as many owners as may connect themselves in the banks, to be put into circulation ?

Is the Bank of England alone to continue subject to the liability of providing gold, not only to answer the demand of foreign exchanges, from whatever cause arising, but to satisfy all other extraordinary and indefinite calls, which, from overtrading or any other cause, may unexpectedly and simultaneously be made upon it from all these banking establishments ? The expectation is most unjust, as far as the Bank is concerned, and would infallibly prove fatal both to their credit and to the best interests of the country.

Yet, such is our present situation. It will be improved in proportion as the one pound notes shall be withdrawn ; but, neither the Bank nor the public will be dealt fairly with if those notes are to continue, under any system of banking, to form a part of the *permanent* currency of Scotland and Ireland.

In Ireland, the National Bank already leans, more than in fairness it ought, on the Bank of England for gold ; all the country establishments of Ireland will, therefore, directly or indirectly, depend on being supplied from the same source ; and I am convinced that, if the issue of one pound notes be once *permanently* guaranteed to them, not many years will elapse before we shall witness again failures such as those which took place very generally in Ireland a few years ago. The Irish Banks are not the less exposed to this danger from their advances being more exclusively connected with agriculture.

I know nothing more likely to undergo great fluctuations than corn, especially in the present state of our law, and no banks, by consequence, more liable to be tempted into great advances at

one time, and compelled to great contraction at another, than those of Ireland.

Scotland, it is notorious, with banks perfectly solvent, has contributed its full proportion of the undue facilities which have produced the late crisis. Both from London and Lancashire, the paper which could not find discount in England was sent off to Scotland, where it met with that accommodation; and now upon the change, not that extravagant accommodation only, but even the most cautious, is at once withheld, to a much greater extent than in England.

This sudden veering about may be a very good manœuvre to save their own vessel, but it has been the cause of many wrecks here, and has greatly added to the want of confidence and to the stagnation in the commercial world.

I have no doubt that some of the Scotch banks, from bad debts, and from the necessity of putting themselves in cash by sale of securities in England, will sustain on this occasion heavy losses, the recollection of which may render them more prudent hereafter. But when we are setting our currency to rights, we ought not to trust to the permanent prudence of those who have a credit interest the other way.

Besides, is it consistent or impartial, when you have removed the principal obstacles to the introduction of the Scotch system of banking in England and Ireland, to place the establishments here under disabilities and charges in carrying on their business, from which their competitors in those countries are to be exempt?

Will you compel one party to be at the expense of insurance, and leave him exposed to the risk of being burnt by the other party, his neighbour, who does not bear his share of that expense? This very exemption gives an advantage which enables him to be more adventurous, because he can afford greater losses in carrying on his business; and, after all, if overtrading takes place, no matter in what part of the United Kingdom the advances are made by which it is excited, its consequences reach those who have not, as well as those who have, participated in those advances.

It is not safe to argue from what existed before 1797, as to what may hereafter be suffered safely to be continued in Scotland. To do so would be to overlook the occurrences of the last thirty years, and the change which they have produced in everything which bears upon this question.

My opinion, therefore, is, not that it is necessary to put an end to small notes in Scotland at the same period as in England. I have no objection to giving them a longer term, though I should be very unwilling to grant the same extension in Ireland.

Were all done that I think ought to be done in respect to currency, the country would still remain unprepared for war without a great reduction of its unfunded debt.

We lived for so many years without cash payments, and the last war lasted so long, that we have lost sight of all the measures of forecast which, on all former occasions of the restoration of peace, were taken as soon as possible.

We have now thirty millions of exchequer bills unprovided for. In former periods of peace we had none. With these bills we too much resemble a country banker who gets into difficulty by an over-sanguine calculation that his notes will not come in for payment.

The whole of these thirty millions are *virtually* payable on demand. Let it be considered how they would hamper us, even upon an armament, and much more upon the actual breaking out of a war. What a drag they would be upon any loan we might then be forced to make; how much a very great fall in the funds, besides creating real distress in many quarters, would, at the outset of a contest, or with the question still pending in negotiation, tell conveniently on public feeling both at home and abroad.

In possible contingencies, too, such an unfunded debt might make it very difficult to provide for the quarterly dividends. Its existence in its present amount is contrary to all sound policy in reference to our political situation, and in the end will prove the very reverse of economy.

In my opinion, two-thirds of it ought to be reduced in this and the next year.

Even then we should remain with a demandable debt of ten millions unprovided for, such as never existed before at the breaking out of a war.

Neither is this all. Heretofore the Bank, at such a period, had all its resources free. Now it has £1,200,000 locked up on mortgage, and in two years more its advances on the *dead weight* (over and above the whole sum received back in payment of the long annuity) will be upwards of *ten* millions more.

With these advances, exclusive of those on land and malt, and the quarterly dividends, we cannot look to the Bank to provide for the expenses even of an armament, much less to help us in the first year of a war.

I hope the Directors will be induced gradually to sell some of their long annuity, and to get rid of their loan on mortgage. Both for their own security, and the convenience of the government, it is very desirable that they should have a larger proportion of their funds immediately available.

Would it not be fair to the Bank, and desirable for the public interest that in the course of the next year, or in the session of 1828 at the latest, there should be an understanding with them upon the renewal of their Charter?

This, I think, ought to form a part of our general setting to rights of our currency and finance.

W. HUSKISSON.

TABLE A.

Highest and Lowest Premium on Gold and Silver  
Bullion in Paris from 1821 to 1847 inclusive.\*

|      | Gold Bullion.                 |                              | Silver Bullion.               |                              |
|------|-------------------------------|------------------------------|-------------------------------|------------------------------|
|      | <i>Highest<br/>per mille.</i> | <i>Lowest<br/>per mille.</i> | <i>Highest<br/>per mille.</i> | <i>Lowest<br/>per mille.</i> |
| 1821 | 12                            | 5                            | 2½                            | 1½                           |
| 1822 | 7                             | 1                            | 5                             | 1½                           |
| 1823 | 12                            | 3½                           | 6                             | 1                            |
| 1824 | 9                             | 1                            | 6                             | 4                            |
| 1825 | 4½                            | par                          | 12                            | 5                            |
| 1826 | 10                            | ½                            | 10                            | 4                            |
| 1827 | 5                             | 1½                           | 5                             | 4                            |
| 1828 | 10                            | 1¼                           | 5½                            | 2½                           |
| 1829 | 19                            | 6                            | 5                             | 1½                           |
| 1830 | 16                            | 5                            | 4½                            | 1                            |
| 1831 | 10                            | 2                            | 2½                            | par                          |
| 1832 | 20                            | 1                            | par                           | par                          |
| 1833 | 21                            | 9½                           | 6                             | par                          |
| 1834 | 11                            | 4½                           | 7                             | 3                            |
| 1835 | 13½                           | 4                            | 7                             | 3¾                           |
| 1836 | 16½                           | 9                            | 8                             | 5½                           |
| 1837 | 12                            | 7½                           | 5¼                            | 5¼                           |
| 1838 | 11                            | 7                            | 5½                            | 5½                           |
| 1839 | 10                            | 7½                           | 6½                            | 5½                           |
| 1840 | 10                            | 3¾                           | 8½                            | 6½                           |
| 1841 | 10                            | 3¾                           | 9¾                            | 2½                           |
| 1842 | 12½                           | 5½                           | 2½                            | 1                            |
| 1843 | 14½                           | 10                           | 1½                            | ½                            |
| 1844 | 13½                           | 8                            | 2½                            | 1½                           |
| 1845 | 18½                           | 9                            | 2                             | 1½                           |
| 1846 | 18                            | 10                           | 5                             | 1½                           |
| 1847 | 21                            | 7                            | 7                             | 2                            |

\* See page 47.

12th January, 1893.

TABLE B.

Highest and Lowest Premium on Gold and Silver Bullion\* in Paris for the years 1848 to 1889, with Stock of Gold and Silver held by the Bank of France.

| Year.             | Gold Bullion.        |                              | Silver Bullion.    |  |
|-------------------|----------------------|------------------------------|--------------------|--|
|                   | Premium per Mille.   |                              | Premium per Mille. |  |
|                   | Highest.             | Lowest.                      | Highest.           | Lowest.                                      |
| 1848              | †65 { March<br>April | 7½ Dec.                      | 3 { Jan.<br>Feb.   | 2¼ { March<br>Sep.                           |
| 1849              | 16½ May              | 2¼ { Feb.<br>March           | 2¾ Jan.            | 1¼ May                                       |
| 1850              | 22 May               | 1 { Nov.<br>Dec.             | 8½ { Aug.<br>Nov.  | 2 { Jan.<br>Feb.                             |
| 1851              | par { Jan.<br>Feb.   | 3 dis. { Aug.<br>Oct.        | 9 { Nov.<br>Dec.   | 4¼ Feb.                                      |
| 1852              | 5½ June              | ½ { Oct.<br>Dec.             | 12½ Nov.           | 7½ Nov.                                      |
| 1853              | ¼ Feb.               | 3¾ dis. { Oct.<br>Nov.       | 22 Nov.            | 4¾ June                                      |
| 1854              | 2 dis. Jan.          | 4 dis. { April<br>May        | 15 March           | 8½ June                                      |
| 1855              | 5 { Oct.<br>Dec.     | 3 dis. { Jan.<br>Oct.        | 20 Dec.            | 13 { Jan.<br>Oct.                            |
| 1856              | 7 { Oct.<br>Dec.     | 5 { Jan.<br>March            | 25 { Oct.<br>Dec.  | 19 { June<br>Sep.                            |
| 1857              | 7 { Jan.<br>Dec.     | 6 { Jan.<br>Dec.             | 32½ { May<br>Dec.  | 22½ Dec.                                     |
| 1858              | 7 Jan.               | par { Feb.<br>Dec.           | 22½ Jan.           | 10 { Aug.<br>Dec.                            |
| 1859              | par { Jan.<br>Dec.   | " { Jan.<br>Dec.             | 24 { Jan.<br>Dec.  | 10 Jan.                                      |
| 1860              | " "                  | 3 dis. { Oct.<br>Nov.        | 25 { Jan.<br>May   | 15 { June<br>Sep.                            |
| 1861              | 3¾ Aug.              | par Jan.                     | 21½ Jan.           | 12 July                                      |
| 1862              | 2½ { Jan.<br>March   | ½ { June & Nov.<br>Sep. Dec. | 26 Dec.            | 17½ Jan. { Apl.<br>May<br>and { Sep.<br>Nov. |
| 1863              | 4½ Dec.              | 1¼ { Jan.<br>Aug.            | 26 { Jan.<br>April | 18 { April<br>July                           |
| 1864              | 4½ Jan.              | 2½ { July<br>Oct.            | 38 Jan.            | 13½ { Oct.<br>Dec.                           |
| 1865              | 3½ { Jan.<br>June    | 1¼ { July<br>Dec.            | 13½ { Jan.<br>June | 11 { July<br>Dec.                            |
| 1866              | 1¼ Jan.              | par { June<br>Dec.           | 27½ { June<br>Dec. | 11 Jan.                                      |
| 1867              | 1 { Jan.<br>June     | ½ { June<br>Dec.             | 17½ Jan.           | 9½ { Oct.<br>Dec.                            |
| 1868              | ½ { Jan.<br>Sep.     | par { Sep.<br>Dec.           | 9½ { Jan.<br>Sep.  | 8½ { Sep.<br>Dec.                            |
| 1869              | 1¼ { Nov.<br>Dec.    | ½ { Jan.<br>Aug.             | 10½ { Nov.<br>Dec. | 8½ { Sep.<br>Nov.                            |
| 1870<br>(to Sep.) | 2½ July              | ½ { July<br>Aug.<br>March    | 14½ July           | 6¾ { Aug.<br>Sep.                            |

TABLE C.

# Production of Gold and Silver since 1848, and the market ratio in London.

*From the "Silver Question and the Gold Question," by R. Barclay.*

| Date.   | Ratio in London Market<br>(Silver to 1 of Gold.) | In Thousands. |                |                   |                           |
|---|--|---------------|----------------|-------------------|---------------------------|
|   |  | Gold.         | Silver.        |                   | Total of Gold and Silver. |
|   |  |               | Coining Value. | Commercial Value. |                           |
|   |  | £             | £              | £                 | £                         |
| During this period the French Mints were open to the public for the coinage of both metals at the ratio of 15½ ounces of Silver to 1 ounce of Gold. | 1849   | 15.80         | 5,400          | 7,800             | 13,200                    |
|   | 1850   | 15.83         | 8,900          | 7,800             | 16,700                    |
|   | 1851   | 15.46         | 13,500         | 8,000             | 21,500                    |
|   | 1852   | 15.57         | 36,600         | 8,100             | 44,700                    |
|   | 1853   | 15.33         | 31,100         | 8,100             | 39,200                    |
|   | 1854   | 15.33         | 25,500         | 8,100             | 33,600                    |
|   | 1855   | 15.36         | 27,000         | 8,100             | 35,100                    |
|   | 1856   | 15.33         | 29,500         | 8,200             | 37,700                    |
|   | 1857   | 15.27         | 26,700         | 8,100             | 34,800                    |
|   | 1858   | 15.36         | 24,900         | 8,100             | 33,000                    |
|   | 1859   | 15.21         | 25,000         | 8,200             | 33,200                    |
|   | 1860   | 15.30         | 23,900         | 8,200             | 32,100                    |
|   | 1861   | 15.47         | 22,800         | 8,500             | 31,300                    |
|   | 1862   | 15.36         | 21,600         | 9,000             | 30,600                    |
|   | 1863   | 15.38         | 21,400         | 9,800             | 31,200                    |
|   | 1864   | 15.40         | 22,600         | 10,300            | 32,900                    |
|   | 1865   | 15.33         | 24,000         | 10,400            | 34,400                    |
|   | 1866   | 15.44         | 24,200         | 10,100            | 34,300                    |
|   | 1867   | 15.57         | 22,800         | 10,800            | 33,600                    |
|   | 1868   | 15.60         | 22,000         | 10,000            | 32,000                    |
|   | 1869   | 15.60         | 21,200         | 9,500             | 30,700                    |
|   | 1870   | 15.60         | 21,400         | 10,300            | 31,700                    |
|   | 1871   | 15.59         | 21,400         | 12,200            | 33,600                    |
|   | 1872   | 15.63         | 19,900         | 13,100            | 33,000                    |
|   | 1873   | 15.93         | 19,200         | 16,300            | 35,600                    |
|   | 1874   | 16.18         | 18,100         | 14,300            | 32,200                    |
|   | 1875   | 16.59         | 19,500         | 16,100            | 35,000                    |
|   | 1876   | 17.89         | 20,700         | 17,500            | 36,300                    |
|   | 1877   | 17.21         | 22,800         | 16,200            | 37,800                    |
|   | 1878   | 17.95         | 23,800         | 19,000            | 40,700                    |
|   | 1879   | 18.41         | 21,800         | 19,200            | 38,400                    |
|   | 1880   | 18.06         | 21,300         | 19,300            | 38,400                    |
|   | 1881   | 18.25         | 20,600         | 20,400            | 38,500                    |
|   | 1882   | 18.28         | 20,400         | 22,300            | 40,000                    |
|   | 1883   | 18.66         | 19,000         | 23,000            | 38,700                    |
|   | 1884   | 18.64         | 20,300         | 21,100            | 38,400                    |
|   | 1885   | 19.40         | 21,600         | 23,700            | 41,100                    |
|   | 1886   | 20.81         | 21,200         | 24,100            | 39,700                    |
|   | 1887   | 21.15         | 21,000         | 24,800            | 39,800                    |
|   | 1888   | 21.99         | 21,900         | 28,400            | 42,500                    |
|   | 1889   | 22.09         | 24,600         | 32,400            | 48,000                    |
|   | 1890   | 19.76         | 24,000         | 34,700            | 52,200                    |
|   | 1891   | 20.93         | 25,000         | 37,200            | 53,300                    |
|   | 1892   | 23.14         | 26,100         | 39,300            | 52,600                    |

It is remarkable how little variation there has been in the total sum of the two metals together from year to year; though the average during the whole period has been £35,163,000, the average of the gold being £21,859,000, and of the silver £15,582,000.

TABLE D.

Statement of Export of Bullion from London to undermentioned Places during the year 1891 and 1892.

| Exports during 1892.                     |             |            |            | Exports during 1891. |            |            |
|--|-------------|------------|------------|----------------------|------------|------------|
| 1892.                                    | Gold.       | Silver.    | Total.     | Gold.                | Silver.    | Total.     |
|  | £           | £          | £          | £                    | £          | £          |
| Belgium - - -                            | 366,000     | 30,850     | 396,850    | 138,432              | 7,337      | 145,769    |
| France - - -                             | 3,818,759   | 151,437    | 3,970,196  | 5,538,681            | 760,674    | 6,299,355  |
| Germany - - -                            | 6,401,484   | 265,962    | 6,667,446  | 6,375,271            | 318,313    | 6,693,584  |
| Holland - - -                            | 76,285      | 104,702    | 180,987    | 1,327,040            | 79,578     | 1,406,618  |
| Sweden and Denmark                       | —           | 175        | 175        | —                    | 100        | 100        |
| Russia - - -                             | —           | 105,360    | 105,360    | —                    | 405,010    | 405,010    |
| Spain, Portugal, &c. -                   | 1,196,277   | 874,683    | 2,070,960  | 1,095,284            | 4,033,939  | 5,129,223  |
| Gibraltar - -                            | 19,200      | 4,463      | 23,663     | —                    | 2,270      | 2,270      |
| Malta - - -                              | 130,045     | 100        | 130,145    | 95,000               | 5,000      | 100,000    |
| Alexandria - -                           | 863,620     | 9,457,751  | 10,321,371 | 2,939,999            | 5,485,233  | 8,425,232  |
| Aden - - -                               |             |            |            |                      |            |            |
| Mauritius - -                            |             |            |            |                      |            |            |
| Ceylon - - -                             |             |            |            |                      |            |            |
| Bombay - - -                             |             |            |            |                      |            |            |
| Madras - - -                             |             |            |            |                      |            |            |
| Calcutta - - -                           |             |            |            |                      |            |            |
| Singapore - -                            | 300         | 230,934    | 231,234    | 60                   | 311,294    | 311,354    |
| Penang - - -                             |             |            |            |                      |            |            |
| Manilla - - -                            |             |            |            |                      |            |            |
| Hong Kong - -                            |             |            |            |                      |            |            |
| Shanghai - - -                           |             |            |            |                      |            |            |
| Japan - - -                              | —           | 2,193,200  | 2,193,200  | —                    | 1,286,192  | 1,286,192  |
| Cape of Good Hope                        | 47,005      | 90,653     | 137,658    | 27,254               | 167,076    | 194,330    |
| Cape Verd, Sierra Leone, &c.             |             |            |            |                      |            |            |
| United States - -                        |             |            |            |                      |            |            |
| Mexico, Sth. America &c. (except Brazil) | 958,478     | 413,081    | 1,371,559  | 1,128,876            | 75,142     | 1,204,018  |
| Brazils - - -                            | 551,986     | 4,329      | 556,315    | 1,529,823            | 5,321      | 1,535,144  |
| British North America                    | —           | 47,761     | 47,761     | 30,000               | 39,551     | 69,551     |
| Australia - - -                          | 800         | 46,892     | 47,692     | —                    | 75,713     | 75,713     |
| New Zealand - -                          |             |            |            |                      |            |            |
| Other Countries - -                      | 270,087     | 37,989     | 308,076    | 839,905              | 48,266     | 888,171    |
| Total Exports, 1892                      | £14,832,122 | 14,078,568 | 28,910,690 | 24,228,425           | 13,114,589 | 37,343,014 |
| Total Exports, 1891                      | £24,228,425 | 13,114,589 | 37,343,014 |                      |            |            |

TABLE E.

Statement of Import of Bullion into London from undermentioned Places during the year 1891 and 1892.

| Imports during 1892.  |             |            |            | Imports during 1891. |           |            |
|---|-------------|------------|------------|----------------------|-----------|------------|
| 1892.   | Gold.       | Silver.    | Total.     | Gold.                | Silver.   | Total.     |
|   | £           | £          | £          | £                    | £         | £          |
| Belgium - - -   | 315,678     | 565,511    | 881,189    | 433,315              | 361,939   | 795,254    |
| France - - -  | 1,002,668   | 1,336,135  | 2,338,803  | 1,687,510            | 1,527,179 | 3,214,689  |
| Germany - - -   | 181,311     | 726,179    | 907,490    | 458,241              | 884,533   | 1,342,774  |
| Holland - - -   | 4,989       | 4,298      | 9,287      | 21,256               | 6,482     | 27,738     |
| Sweden and Denmark  | 4,264       | —          | 4,264      | 7,476                | 38        | 7,514      |
| Russia - - -  | —           | —          | —          | —                    | —         | —          |
| Spain, Portugal, &c. -                                      | 2,231,911   | 112,062    | 2,343,973  | 6,416,531            | 61,848    | 6,478,379  |
| Gibraltar - - -   | 31,680      | 6,210      | 37,890     | 37,527               | 4,123     | 41,650     |
| Malta - - -   | 10,043      | 4,779      | 14,822     | 29,197               | 1,799     | 30,996     |
| Alexandria - - -  | 3,612,524   | 110,234    | 3,722,758  | 800,440              | 104,990   | 905,430    |
| Aden - - -  |             |            |            |                      |           |            |
| Ceylon - - -  |             |            |            |                      |           |            |
| Bombay - - -  |             |            |            |                      |           |            |
| Madras - - -  |             |            |            |                      |           |            |
| Calcutta - - -  |             |            |            |                      |           |            |
| Singapore - - -   |             |            |            |                      |           |            |
| Penang - - -  | 2,298,128   | 150,700    | 2,448,828  | 1,140,792            | 2,978     | 1,143,770  |
| Manilla - - -   |             |            |            |                      |           |            |
| Hong Kong - - -   |             |            |            |                      |           |            |
| Shanghai - - -  | 597,116     | —          | 597,116    |                      |           |            |
| Japan - - -   |             |            |            |                      |           |            |
| Cape of Good Hope   | 4,507,094   | 124,629    | 4,631,723  | 2,667,353            | 35,724    | 2,703,077  |
| Cape Verd, Sierra Leone, &c. - - -                          |             |            |            |                      |           |            |
| United States - - -   | 1,050,206   | 5,303,126  | 6,353,332  | 7,675,184            | 3,983,844 | 11,659,028 |
| Mexico, Sth. America (except Brazil) West Indies, &c. - - - | 1,805,840   | 1,940,134  | 3,745,974  | 1,211,172            | 2,130,645 | 3,341,817  |
| Brazils - - -   | 563,829     | 60,463     | 624,292    | 3,324,114            | 39,900    | 3,364,014  |
| British North America                                       | 166         | 1,332      | 1,498      | —                    | 906       | 906        |
| Australia - - -   | 3,157,231   | 272,713    | 3,429,944  | 4,280,159            | 144,352   | 4,424,511  |
| New Zealand - - -   |             |            |            |                      |           |            |
| Other Countries - - -                                       | 96,154      | 27,877     | 124,031    | 85,153               | 24,920    | 110,073    |
| Total Imports, 1892   | £21,470,832 | 10,746,382 | 32,217,214 | 30,275,420           | 9,316,200 | 39,591,620 |
| Total Imports, 1891   | £30,275,420 | 9,316,200  | 39,591,620 |                      |           |            |

Amounts of Gold and Silver held by the Bank of France at various dates from 1811 to 1885.

TABLE F.

| Years. | GOLD.         |            |            |               | SILVER.      |             |             |             |
|--------|---------------|------------|------------|---------------|--------------|-------------|-------------|-------------|
|        | Maximum.      |            | Minimum.   |               | Maximum.     |             | Minimum.    |             |
|        | Dates.        | Francs.    | Francs.    | Dates.        | Dates.       | Francs.     | Francs.     | Dates.      |
| 1811   | 19 December   | 21,714,000 | 18,301,000 | 4 July        | 25 July      | 105,231,000 | 91,228,000  | 5 December  |
| 1812   | 2 January     | 21,705,000 | 14,906,000 | 31 December   | 26 January   | 94,125,000  | 123,353,000 | 31 December |
| 1813   | 25 March      | 14,991,000 | 597,000    | 18 November   | 26 August    | 26,167,000  | 9,345,000   | 13 May      |
| 1814   | 1 September   | 11,227,000 | 763,000    | 6 June        | 29 December  | 74,423,000  | 710,000     | 20 January  |
| 1815   | 5 January     | 5,406,000  | 114,000    | 2 November    | 16 February  | 87,880,000  | 19,091,000  | 19 October  |
| 1816   | 26 December   | 3,026,000  | 250,000    | 14 March      | 8 February   | 79,197,000  | 24,725,000  | 28 November |
| 1817   | 4 December    | 8,499,000  | 413,000    | 20 February   | 26 December  | 84,633,000  | 30,457,000  | 2 January   |
| 1818   | 13 August     | 14,295,000 | 14,430,000 | 15 October    | 2 July       | 104,408,000 | 25,448,000  | 12 November |
| 1819   | 30 December   | 33,999,000 | 13,474,000 | 7 January     | 30 December  | 141,540,000 | 51,959,000  | 7 January   |
| 1820   | 15 June       | 51,817,000 | 22,488,000 | 21 December   | 29 June      | 167,372,000 | 136,925,000 | 9 November  |
| 1821   | 4 January     | 22,548,000 | 15,902,000 | 6 September   | 11 October   | 159,041,000 | 126,729,000 | 31 October  |
| 1822   | 3 January     | 16,906,000 | 15,800,000 | 11 July       | 19 September | 181,664,000 | 129,256,000 | 3 January   |
| 1823   | 2 January     | 15,810,000 | 200,000    | 15 May        | 20 March     | 195,940,000 | 161,812,000 | 13 November |
| 1824   | 2 January     | 720,000    | 300,000    | 6 May         | 4 March      | 168,667,000 | 128,080,000 | 28 October  |
| 1825   | 15 December   | 2,120,000  | 0          | 13 May        | 24 March     | 154,431,000 | 84,958,000  | 1 December  |
| 1826   | 5 January     | 1,200,000  | 130,000    | 23 November   | 28 December  | 120,404,000 | 87,850,000  | 12 January  |
| 1827   | 6 December    | 520,000    | 100,000    | 17 May        | 6 September  | 192,122,000 | 119,736,000 | 4 January   |
| 1828   | 3 January     | 500,000    | 0          | 31 July       | 28 August    | 236,792,000 | 182,096,000 | 31 January  |
| 1829   | 10 December   | 630,000    | 330,000    | 3 September   | 27 May       | 205,113,000 | 101,466,000 | 10 December |
| 1830   | 21 December   | 1,700,000  | 0          | 26 October    | 27 March     | 171,800,000 | 102,500,000 | 13 November |
| 1831   | 2 December    | 2,200,000  | 300,000    | 2 March       | 24 December  | 262,300,000 | 121,700,000 | 10 January  |
| 1832   | 18 January    | 2,100,000  | 0          | 4 September   | 17 March     | 283,600,000 | 216,600,000 | 29 November |
| 1833   | 11 October    | 500,000    | 0          | 16 August     | 20 March     | 227,100,000 | 131,600,000 | 2 November  |
| 1834   | 24 December   | 3,900,000  | 0          | 22 January    | 25 June      | 178,800,000 | 116,000,000 | 28 November |
| 1835   | 17 March      | 6,900,000  | 2,000,000  | 14 August     | 16 June      | 196,400,000 | 126,300,000 | 3 January   |
| 1836   | 24 December   | 8,600,000  | 8,000,000  | 26 Dec., 1835 | 16 March     | 187,500,000 | 81,500,000  | 12 November |
| 1837   | 21 November   | 15,600,000 | 8,000,000  | 28 Dec., 1836 | 23 December  | 234,100,000 | 95,000,000  | 7 January   |
| 1838   | 6 November    | 14,600,000 | 14,000,000 | 26 Dec., 1837 | 15 June      | 283,000,000 | 217,200,000 | 24 December |
| 1839   | 22 April      | 15,600,000 | 10,800,000 | 28 January    | 12 June      | 235,100,000 | 187,000,000 | 14 November |
| 1840   | 25 November   | 26,700,000 | 10,000,000 | 20 June       | 16 April     | 235,000,000 | 185,600,000 | 9 December  |
| 1841   | 15 January    | 40,600,000 | 27,600,000 | 25 December   | 22 March     | 203,800,000 | 141,500,000 | 6 November  |
| 1842   | 27 Dec., 1841 | 23,100,000 | 19,200,000 | 22 December   | 16 June      | 206,700,000 | 154,100,000 | 12 November |
| 1843   | 26 Dec., 1842 | 19,100,000 | 5,600,000  | 22 December   | 24 May       | 274,400,000 | 228,600,000 | 30 November |
| 1844   | 9 August      | 5,700,000  | 5,600,000  | 26 December   | 5 June       | 273,300,000 | 170,500,000 | 28 November |
| 1845   | 6 February    | 6,600,000  | 5,500,000  | 23 June       | 23 March     | 107,500,000 | 63,000,000  | 24 December |
| 1846   | 14 December   | 8,300,000  | 5,400,000  | 1 July        | 23 March     | 107,500,000 | 48,400,000  | 14 January  |
| 1847   | 28 January    | 10,600,000 | 300,000    | 25 May        | 23 February  | 107,200,000 | 46,900,000  | 26 April    |
| 1848   | 2 November    | 9,900,000  | 400,000    | 27 Dec., 1847 |              |             |             |             |

TABLE F.

## SILVER.

| Years. | GOLD.         |               |               | SILVER.       |               |               |
|--------|---------------|---------------|---------------|---------------|---------------|---------------|
|        | Maximum.      | Minimum.      | Dates.        | Maximum.      | Minimum.      | Dates.        |
| 1849   | 12,900,000    | 8,000,000     | 24 December   | 289,100,000   | 134,400,000   | 26 Dec., 1848 |
| 1850   | 29,200,000    | 5,500,000     | 21 June       | 339,100,000   | 290,700,000   | 26 Dec., 1849 |
| 1851   | 105,500,000   | 31,400,000    | 26 Dec., 1850 | 407,600,000   | 305,200,000   | 1 February    |
| 1852   | 86,800,000    | 63,900,000    | 28 October    | 448,000,000   | 349,700,000   | 24 November   |
| 1853   | 123,400,000   | 67,500,000    | 27 Dec., 1852 | 347,900,000   | 111,600,000   | 24 December   |
| 1854   | 220,200,000   | 73,700,000    | 27 February   | 113,400,000   | 72,200,000    | 23 December   |
| 1855   | 171,000,000   | 28,300,000    | 4 December    | 92,400,000    | 25,000,000    | 6 November    |
| 1856   | 92,500,000    | 14,600,000    | 2 January     | 77,400,000    | 20,200,000    | 7 October     |
| 1857   | 95,900,000    | 36,500,000    | 2 January     | 35,400,000    | 25,300,000    | 2 November    |
| 1858   | 242,100,000   | 40,700,000    | 5 January     | 57,100,000    | 23,200,000    | 28 Dec., 1857 |
| 1859   | 229,900,000   | 86,400,000    | 1 June        | 81,300,000    | 60,900,000    | 30 August     |
| 1860   | 238,300,000   | 97,400,000    | 13 November   | 325,700,000   | 269,000,000   | 24 December   |
| 1861   | 301,300,000   | 104,200,000   | 16 January    | 265,200,000   | 72,800,000    | 15 October    |
| 1862   | 296,900,000   | 160,200,000   | 16 November   | 156,000,000   | 94,400,000    | 17 January    |
| 1863   | 137,100,000   | 62,700,000    | 6 October     | 275,600,000   | 124,000,000   | 17 November   |
| 1864   | 273,300,000   | 89,600,000    | 13 January    | 94,200,000    | 60,200,000    | 17 February   |
| 1865   | 391,200,000   | 215,900,000   | 17 January    | 142,800,000   | 93,900,000    | 28 Dec., 1864 |
| 1866   | 659,100,000   | 272,900,000   | 23 January    | 135,100,000   | 86,400,000    | 20 June       |
| 1867   | 727,700,000   | 510,900,000   | 15 January    | 336,800,000   | 135,400,000   | 26 Dec., 1866 |
| 1868   | 877,100,000   | 662,400,000   | 24 December   | 477,300,000   | 308,800,000   | 26 Dec., 1867 |
| 1869   | 730,700,000   | 588,100,000   | 1 February    | 593,300,000   | 473,000,000   | 7 January     |
| 1870   | 739,300,000   | 433,700,000   | 22 December   | 579,600,000   | 70,900,000    | 24 December   |
| 1871   | 592,600,000   | 359,900,000   | 7 March       | 131,700,000   | 35,900,000    | 17 February   |
| 1872   | 657,900,000   | 551,600,000   | 4 January     | 145,400,000   | 78,800,000    | 13 January    |
| 1873   | 691,200,000   | 500,200,000   | 22 August     | 150,300,000   | 124,200,000   | 19 June       |
| 1874   | 1,014,700,000 | 609,400,000   | 5 January     | 329,500,000   | 150,400,000   | 26 Dec., 1873 |
| 1875   | 1,176,100,000 | 1,004,300,000 | 11 January    | 508,700,000   | 309,200,000   | 12 January    |
| 1876   | 1,544,800,000 | 1,165,400,000 | 27 Dec., 1875 | 639,500,000   | 494,500,000   | 12 January    |
| 1877   | 1,556,500,000 | 1,204,100,000 | 24 December   | 866,700,000   | 637,100,000   | 26 Dec., 1876 |
| 1878   | 1,202,400,000 | 1,003,400,000 | 24 December   | 1,058,800,000 | 860,900,000   | 8 January     |
| 1879   | 1,087,800,000 | 752,200,000   | 13 December   | 1,224,600,000 | 1,055,900,000 | 21 January    |
| 1880   | 826,900,000   | 536,400,000   | 29 November   | 1,282,500,000 | 1,212,000,000 | 14 April      |
| 1881   | 656,400,000   | 541,600,000   | 8 February    | 1,248,900,000 | 1,164,600,000 | 24 December   |
| 1882   | 1,005,700,000 | 645,000,000   | 2 January     | 1,163,200,000 | 1,092,500,000 | 21 December   |
| 1883   | 1,014,100,000 | 946,400,000   | 16 January    | 1,092,900,000 | 1,002,000,000 | 11 December   |
| 1884   | 1,062,800,000 | 946,000,000   | 15 January    | 1,034,900,000 | 988,900,000   | 15 January    |
| 1885   | 1,175,800,000 | 995,300,000   | 12 January    | 1,106,100,000 | 1,024,400,000 | 13 January    |
| 1886   |               |               |               |               |               |               |

TABLE G.

Table showing the successive alterations in the Mint ratios of Silver to Gold in England, France, and other countries, from 1560 to 1837.

| <i>Year.</i> | <i>England.</i>          | <i>France.</i>         | <i>Spain, Portugal, Flanders, Milan, &amp;c.</i> |
|--------------|--------------------------|------------------------|--|
|              |                          |                        | <i>Spain.</i>                                    |
| 1561         | 11'10                    | —'75                   | (1497) 10'75 Del Mar, p. 243.                    |
| 1573         | "                        | —'76                   |  |
| 1575         | "                        | —'68                   |  |
| 1580         | "                        | "                      |  |
| 1601         | 10'95                    | "                      |  |
|              | (10'90, Horton, p. 619)  |                        |  |
| 1602         | "                        | 11'86                  |  |
| 1605         | 12'14                    | "                      |  |
| 1612         | 13'19                    | "                      |  |
| 1616         | "                        | 13'73                  |  |
| 1623         | 13'34                    | "                      |  |
| 1636         | "                        | 13'61                  | <i>Spain.</i> <i>Flanders.</i> <i>Milan.</i>     |
| "            | "                        | 15'36                  | (Del Mar) 14'00 12'50 12                         |
| 1641         | "                        | 14'49                  | 13'30 (Horton) (Horton)                          |
|              |                          | (13'2, Horton, p. 270) | (Horton p. 270.)                                 |
| 1662         | "                        | 15'98                  | <i>Germany.</i>                                  |
| 1666         | 14'485                   | "                      | (1667) 14'15 {                                   |
|              | (Horton, p. 619)         |                        | (1669) 15'11 { (Horton p. 8.)                    |
| 1670         | 14'49                    | "                      | <i>Spain.</i>                                    |
| 1675         | "                        | "                      | 16 (Del Mar).                                    |
| 1686         | "                        | 15'58                  |  |
| 1687         | "                        | 15'24                  | <i>Portugal.</i>                                 |
| 1688         | "                        | "                      | 16 (Del Mar).                                    |
| 1692         | "                        | 15'33                  |  |
| "            | "                        | 15'84                  |  |
| 1699         | 15'58                    | "                      |  |
| 1700         | "                        | "                      |  |
|              | (Horton, 1878, p. 320)   |                        |  |
|              | (Silver Pound, p. 252-4) |                        |  |
| 1701         | 15'58                    | 15'75                  |  |
| 1703         | "                        | 16'20                  |  |
| 1706         | "                        | 13'18                  |  |
| 1709         | "                        | 12'85                  |  |
| 1715         | "                        | 15'95                  |  |
| "            | "                        | 16'66                  |  |
| 1718         | 15'21                    | "                      |  |
| 1720         | "                        | 22'50                  |  |
| "            | "                        | 15'00                  |  |
| 1723         | "                        | 15'00                  |  |
| 1724         | "                        | 14'63                  |  |
| "            | "                        | 15'00                  |  |
| "            | "                        | 16'55                  |  |
| 1726         | "                        | 21'78                  |  |
| "            | "                        | 15'79                  |  |
| "            | "                        | 14'47                  | <i>Spain.</i>                                    |
| 1730         | "                        | (1760-1785, 14'50)     | 16 (Horton, p. 276.)                             |
| 1786         | "                        | 15'50                  | 16'38 (Del Mar, p. 243.)                         |
| 1792         | "                        | "                      | 15 <i>United States</i>                          |
| 1803         | "                        | "                      | "  |
| 1817         | "                        | "                      | "  |
| 1834         | "                        | "                      | 16'02  |
| 1837         | "                        | "                      | 15'998   |

TABLE H.

Table showing, by their dates, the number of Gold 20-franc pieces and Silver 5-franc pieces coined in France from 1803 to July 31, 1878.

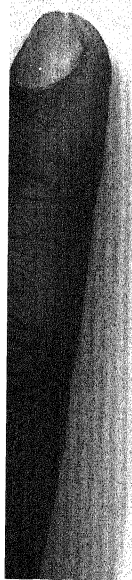
| Date.     | Number of pieces coined each year. |                        | Date.             | Number of pieces coined each year. |                        |
|-----------|------------------------------------|------------------------|-------------------|------------------------------------|------------------------|
|           | 20-franc gold pieces.              | 5-franc Silver pieces. |                   | 20-franc gold pieces.              | 5-franc Silver pieces. |
| 1803      | 58,262                             | 4,565,400              | Brought over .. } | 47,779,389                         | 660,969,526            |
| 1804      | 1,416,387                          | 8,460,663              | 1842              | 92,636                             | 13,175,982             |
| 1805      | 520,311                            | 7,836,898              | 1843              | 141,330                            | 14,371,790             |
| 1806      | 1,151,950                          | 4,485,649              | 1844              | 137,113                            | 13,395,112             |
| 1807      | 839,444                            | 804,423                | 1845              | 5,957                              | 16,780,658             |
| 1808      | 1,482,975                          | 9,382,286              | 1846              | 104,321                            | 8,442,203              |
| 1809      | 720 110                            | 7,985,445              | 1847              | 385,301                            | 14,322,006             |
| 1810      | 2,186,802                          | 10,344,480             | 1848              | 1,984,887                          | 23,810,589             |
| 1811      | 4,070,593                          | 48,947,496             | 1849              | 1,355,478                          | 40,766,309             |
| 1812      | 3,471,798                          | 31,045,613             | 1850              | 3,963,594                          | 16,120,678             |
| 1813      | 3,037,054                          | 26,002,853             | 1851              | 12,585,214                         | 11,499,290             |
| 1814      | 3,227,236                          | 12,157,707             | 1852              | 694,065                            | 13,990,200             |
| 1815      | 2,768,992                          | 7,532,048              | 1853              | 15,648,201                         | 3,891,632              |
| 1816      | 640,106                            | 6,836,669              | 1854              | 23,485,957                         | 10,615                 |
| 1817      | 2,428,882                          | 7,008,958              | 1855              | 18,399,783                         | 4,861,173              |
| 1818      | 4,042,851                          | 2,419,939              | 1856              | 18,745,899                         | 9,155,481              |
| 1819      | 2,611,313                          | 4,188,801              | 1857              | 19,193,214                         | 93,406                 |
| 1820      | 1,428,094                          | 3,612,292              | 1858              | 18,877,635                         | 26,790                 |
| 1821      | 20,207                             | 13,355,182             | 1859              | 26,166,075                         | 3,365                  |
| 1822      | 233,937                            | 19,688,279             | 1860              | 15,946,635                         |                        |
| 1823      | 20,087                             | 16,068,150             | 1861              | 4,030,253                          | 22,098                 |
| 1824      | 324,477                            | 22,314,567             | 1862              | 7,732,433                          | 21,129                 |
| 1825      | 2,179,346                          | 14,573,894             | 1863              | 7,672,793                          | 21,687                 |
| 1826      | 46,153                             | 17,746,462             | 1864              | 10,382,097                         | 32,168                 |
| 1827      | 157,835                            | 29,916,081             | 1865              | 6,039,858                          | 97,134                 |
| 1828      | 297,259                            | 31,426,133             | 1866              | 13,970,178                         | 37,893                 |
| 1829      | 13,729                             | 19,929,090             | 1867              | 7,439,514                          | 10,810,312             |
| 1830      | 464,908                            | 23,739,223             | 1868              | 14,110,127                         | 18,724,110             |
| 1831      | 2,356,943                          | 40,658,479             | 1869              | 11,362,847                         | 11,652,857             |
| 1832      | 49,433                             | 26,861,063             | 1870              | 2,717,440                          | 10,729,670             |
| 1833      | 394,307                            | 30,885,119             | 1871              | 2,508,494                          | 942,181                |
| 1834      | 883,344                            | 42,306,804             | 1872              | ... ..                             | 77,838                 |
| 1835      | 152,927                            | 19,162,221             | 1873              | ... ..                             | 30,929,809             |
| 1836      | 149,376                            | 8,303,765              | 1874              | 1,215,985                          | 11,999,202             |
| 1837      | 44,889                             | 21,840,508             | 1875              | 11,745,600                         | 15,000,000             |
| 1838      | 184,953                            | 17,248,016             | 1876              | 8,824,658                          | 10,532,263             |
| 1839      | 1,033,454                          | 14,307,757             | 1877*             | 12,759,057                         | 3,292,857              |
| 1840      | 2,049,912                          | 12,261,177             | 1878              | 7,090,088                          | 363,130                |
| 1841      | 618,753                            | 14,659,936             |                   |                                    |                        |
| Car. over | 47,779,389                         | 660,969,526*           | Total...          | 355,294,106                        | 990,973,143            |

TABLE I.

Table showing by their dates the number of French Gold 10-franc pieces coined in France (1850 to 1869).

| <i>Date.</i> | <i>Number of Pieces.</i> | <i>Date.</i>         | <i>Number of Pieces.</i> |
|--------------|--------------------------|----------------------|--------------------------|
|              | <i>Coined each year.</i> |                      | <i>Coined each year.</i> |
| 1850         | 592,051                  | Brought }<br>over. } | 68,645,019               |
| 1851         | 1,800,524                | 1861                 | 1,029,214                |
| 1852         | 1,314,697                | 1862                 | 4,712,118                |
| 1853         | —                        | 1863                 | 4,251,637                |
| 1854         | 3,899,802                | 1864                 | 4,788,520                |
| 1855         | 6,149,585                | 1865                 | 3,249,295                |
| 1856         | 10,777,734               | 1866                 | 6,495,917                |
| 1857         | 14,498,136               | 1867                 | 3,550,274                |
| 1858         | 8,211,046                | 1868                 | 4,532,811                |
| 1859         | 13,325,889               | 1869                 | 109,351                  |
| 1860         | 8,075,555                |                      |                          |
| Car. over    | 68,645,019               | Total                | 101,364,156              |





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